ARCURE

2018 Annual Financial Report

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DECLARATION BY THE PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

PERSON RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT

Mr. Patrick Mansuy, Chairman of the Arcure Management Board

DECLARATION OF PERSONAL RESPONSIBILITY

"I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and provide a true and fair view of the assets and liabilities and the financial position of the Company, and that the attached management report faithfully reflects the changes in the business, earnings and financial position of the Company as well as a description of the main risks and uncertainties that they face."

Pantin, 19 April 2019

Patrick Mansuy
Chairman of the Management Board

MANAGEMENT REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Dear Shareholders,

The purpose of this report, pursuant to the legal and regulatory provisions, is to present the position of the Company, its business and its results for the financial year ended 31 December 2018, to provide the other information required by law and to submit for your approval the financial statements for the said financial year as well as the appropriation of earnings resulting from these financial statements.

The notices convening the Shareholders' Meeting required by law and the Articles of Association have been sent to you in accordance with the regulations and all the corporate documents, accounts, reports and other documents related thereto have been communicated or made available to you under the conditions and within the time periods established by the legal, regulatory and statutory provisions.

1. POSITION AND BUSINESS OF THE COMPANY

1.1. The Company's business over the financial year ended

During the financial year ended 31 December 2018, Arcure continued to invest in research and development and intensified its commercial development.

2018 revenue amounted to over €7.4 million, up 48% compared to 2017.

2018 commercial activity was characterized by the significant progress made with major OEMs, in order to integrate Blaxtair technology into certain ranges of machinery and to offer it as a factory-fitted option. There was also a continued effort to win new key account end-users of Blaxtair, either via direct sales or through vehicle distribution networks.

During the first half of 2018, BPI paid out €100,708 under the export marketing insurance policy (Coface) on the basis of the export marketing expenses incurred in 2017, the total amount rising to €204,730 at 31 December 2018. The policy is designed to partly finance export marketing expenses.

The Normandy region awarded the Company €300,000 of financial assistance on 23 April 2018 as part of the cash flow generation initiative intended to finance the working capital requirement of the Grossœuvre-based premises. This financial assistance was awarded in the form of an interest-free loan repayable over 4 years and deferred for 1 year.

The Company set up a €500,000 credit facility with Crédit du Nord for a 4-year period starting in August 2018 at the Euribor rate plus 1.8 points.

BPI granted a €500,000 loan to the Company on 26 September 2018 for a 7-year period ending on 30 September 2025, with interest of 1.67% a year. The Company will benefit from a grace period of eight fiscal quarters.

The Company works with CEA-LIST (Laboratory for Integration of Systems and Technology), one of the divisions of CEA, which owns 13.87% of the Company at 31 December 2018, a stake managed and supervised by Supernova Invest. through two agreements:

- An R&D collaboration agreement and
- A license agreement under which the Company pays royalties to CEA-LIST.

Arrears totaling €563,000 on these two agreements led to the drafting of a payment schedule agreed by CEA in October 2018. This schedule provides for staggered payments between October 2018 and May 2019 for invoices with the following due dates:

- 30 December 2016 for €65,000;
- 30 January 2017 for €296,000;
- 30 September 2017 for €53,000;
- 30 January 2018 for €149,000.

Payments were made in accordance with the agreed schedule, leaving an outstanding balance for payment of €443,000 at 31 December.

In November 2018, the Company launched a new product on the market: "Oméga". This product targets the Machine Vision Systems market which covers a wide variety of different applications including detection, measurement, identification and inspection.

A number of Company shareholders granted exceptional current account advances totaling €700,000 to the Company between late January and early February 2018, bear interest at an annual rate of 6% per year and repayable by 31 December 2018 at the latest. On 8 November 2018, the Supervisory Board approved the extension to the repayment date for these current account advances until 30 June 2019. It is also noted that the €250,000 current account advance that had been subject to an agreement with INOCAP in September 2017 was repaid in full in February 2018.

At the Extraordinary Shareholders' Meeting of 8 February 2018, the shareholders approved the issuance of eleven thousand seven hundred and twenty-four (11,724) founders' warrants (*bon de souscription de parts de créateur d'entreprise*, or BSPCE) to company managers. Each BSPCE founders' warrant shall entitle the holder to subscribe to one ordinary share with a nominal value of one euro each, at a price of twenty-two euros and fifty cents (€22.50) per share including an issue premium of twenty-one euros and fifty cents (€21.50). The subscription rights to common stock must be exercised within a maximum period of ten years from the allocation of the BSPCE founders' warrants.

On 22 February 2018, the Management Board recorded the capital increase resulting from:

(i) the conversion of a total of 25,539 bonds convertible into shares, for a total amount of €34,050, through the issuance of 34,050 new Class A preference shares with a nominal value of €1 each issued at a price of €22.50, including an issue premium of €21.50, i.e. a total capital increase of €766,125 and the corresponding cancellation of 25,359 bonds;

(ii) the exercise of 180 BSPCE founders' warrants of a total nominal amount of €180 through the issuance of 180 new ordinary shares at the price of €30 per share, comprising a nominal value of €1 and an issue premium of €29, i.e. a total capital increase (issue premium included) of €5,400.

By decision dated 6 July 2018, the Management Board recorded the vesting of 1,800 bonus shares allocated on 5 July 2016, by delegation of the Shareholders' Meeting of 26 May 2016, as well as the resulting capital increase.

1.2 Significant events occurring since the start of the current financial year

Since the start of the current financial year, discussions with a number of major manufacturers (among the top 10 global leaders in each category, handling equipment and construction vehicles) were either opened or continued, facilitating the provision of integration agreements for the vehicles as a factory-fitted option in the years ahead.

Moreover, several major international groups began testing Blaxtair or continued the system validation process with a view to adopting the solution in future. In 2018, two of these groups decided to implement Blaxtair throughout their fleets. In particular, Faurecia decided to equip its forklifts with the Blaxtair solution. As a reminder, Faurecia has 81 production sites around the world with an average of over 10 forklifts at each site.

Pursuant to the Extraordinary Shareholders' Meeting of 15 January 2019, the Company:

(i) divided by 10 the nominal value of Company shares (1 euro) and, correlatively, multiplied by 10 the number of shares comprising the share capital of the Company on that day, thereby increasing it from 332,343 shares to 3,323,430 shares, divided into 1,200,620 ordinary shares and 2,122,810 Class A preference shares, with a nominal value of €0.10.

(ii) issued a convertible bond with a nominal value of €3,800,001 through the issuance of 1,266,667 bonds convertible into Class A preference shares (hereinafter the "**OC 2019**") for which the definitive subscription was recorded by the Management Board on 17 January 2019.

The OC 2019 convertible bond subscribers are:

- Inocap Gestion in the amount of €800,001; and
- Odyssée Venture in the amount of €3,000,000.

The main terms of the OC 2019 convertible bond issue are as follows:

- Maturity date: 15 January 2022
- Issue price: €3
- Annual interest rate (payable annually): 6%
- Automatic early conversion in the event of an IPO on the basis of the IPO price discounted 20%, with fractional shares to be paid in cash
- For the early redemption option, the amounts due shall equal the amount of bond debt payable increased by a 25% premium. Early redemption of the convertible bond implies a revaluation of the bond amount (premium of 25% before 30 June 2019) to ensure that the bondholder subscribes in the order book (by offsetting debt) at the same price per share and obtains a financial benefit identical to that resulting from automatic conversion.

The Combined Shareholders' Meeting of 17 January 2019 approved the proposal to list the common stock of the Company for trading on Euronext Growth Paris (the "**IPO**") and delegated to the Management Board its authority to decide upon the issuance of ordinary shares through a public offering of securities, in the context of the IPO, for a total nominal amount that may not exceed €220,000.

In accordance with the OC 2019 issue agreement entered into on 16 January, OC 2019 bondholders have the option to request early redemption or early conversion at the time of the IPO.

When signing the issue agreement, Inocap Gestion opted for early redemption and made commitments to subscribe to the capital increase in the context of the IPO through the offsetting of receivables as a result of this early redemption of OC 2019 bonds.

On 21 February 2019, the Management Board fixed the unit price of new shares to be issued at €7, i.e. a nominal value of €0.10 plus an issue premium of €6.90, and decided to increase the share capital of the Company by a nominal amount of €112,500, increasing it from €332,343 to €444,843, through issuance with cancellation of preferential subscription rights, by way of a public offering of 1,125,000 new ordinary shares, i.e. a total capital increase of €7,875,000, issue premium included.

By decisions dated 21 February 2019, the Management Board recorded that the receivables held by Inocap Gestion in respect of the OC 2019 bonds were as follows:

- €36,203.37 for FIP Nouvelle France,
- €257,115.51 for FCPI QI 2016,
- €596,658.68 for FCPI QI 2017, and
- €114,626.43 for FCPI QI 2018.

At its meeting of 25 February, the Management Board recorded:

(i) the capital increase for a nominal amount of €53,571.20, through the issuance of 535,712 new Class A preference shares with a nominal value of €0.10 each issued at a price of €5.60, including an issue premium of €5.50, i.e. a total capital increase of €2,999,987.20 and the corresponding cancellation of 1,000,000 OC 2019 bonds;

(ii) the completion of the capital increase in the context of the listing of the common stock of the Company for trading on Euronext Growth Paris for an amount of €112,500, through issuance with cancellation of preferential subscription rights, by way of a public offering, of 1,125,000 new shares, at a price of €7 per new share, i.e. a nominal value of €0.10 and an issue premium of €6.90 each, i.e. a capital increase of €7,875,000;

(iii) the completion of the IPO.

The Company granted Oddo BHF the implementation of a liquidity contract for Company securities for a one-year term renewable by tacit agreement. The sum of €150,000 was allocated to the liquidity account for the implementation of this contract.

On 17 January 2019, the Combined Shareholders' Meeting appointed for a period of six years, expiring at the end of the annual shareholders' meeting called to approve the financial statements for the financial year ended 31 December 2024 (i) the company Supernova Invest, represented by Mr. François Breniaux, in his capacity as member of the Supervisory Board and replacing Mr. François Breniaux (ii) the company Inocap Gestion, represented by Mr. Jean-Christophe Menissier, in his capacity as member of the Supervisory Board and replacing Mr. Jean-Christophe Menissier.

1.3 Foreseeable changes to the situation of the Company and outlook for the future

The Company is working to maintain its technological edge in order to safeguard against the potential emergence of competitors and become a top-tier international provider of solutions in the industrial safety market. For this purpose, it is deploying an ambitious development strategy based on:

- Ramping up sales to OEMs; and
- Accelerating international growth (particularly in Germany and North America).

The Company's goal is to maintain the sustained pace of growth of the last few years (79% in 2017 and 48% in 2018) with a target for revenue in 2023 of €60 million. This objective represents a compound annual growth rate (CAGR) between 2017 and 2023 of approximately 51.3%, i.e. a performance in line with the historic CAGR for 2014-2017 of 65.7%.

The achievement of this objective will to a large extent depend on extending sales to OEMs, particularly in international markets. This target for 2023 includes a percentage of sales to OEMs of 50% with Blaxtair accounting for 90% of total sales and Oméga 10%.

The Company is targeting operating profit adjusted for the Research tax credit equal to 25% of revenue by 2023.

This objective is based on the combination of:

- Continuing improvements in the gross margin based on efforts to optimize production costs which will offset the relative contribution of OEMs within the sales mix; and
- The ramp-up of sales teams in the main target geographic markets.

1.4 Progress made and difficulties encountered

High revenue growth results in a significant increase in the working capital requirement. This is primarily financed by bank loans.

In order to meet business structuring requirements and the expectations of its key accounts and OEM clients, the Company launched an ISO9001 certification process in the fourth quarter of 2018 with a view to obtaining certification by the end of 2019.

The Company also decided to implement an ERP system designed to improve the traceability and quality of its procedures whilst controlling operational costs. Launched in Q4 2018, this project will continue throughout 2019 with a phased implementation of the ERP within the different divisions from September onwards.

A drive to recruit the talent required for the deployment of the company’s strategy was launched with the help of a number of specialist firms, as the desired profiles are difficult to find given the current lack of resources within the labor market. In particular, the company has to compete with the GAFA tech giants and large automotive manufacturers, who are looking for candidates with the same technical skills. Consequently, a certain amount of recruitment has been taking place ahead of schedule since Q4 2018 to take advantage of opportunities.

1.5 Company research and development

During the financial year ended 31 December 2018, there was a major drive to continue the development of version 3.2 (including the connected version of Blaxtair).

Capitalized R&D costs amounted to €845,890 in 2018. The total research tax credit collected in 2018 in respect of 2017 amounted to €318,697 (excluding innovation tax credit).

1.6 Subsidiaries, branches and holdings

The Company does not have any subsidiaries or branches.

1.7 Holdings acquired over the financial year ended

In accordance with the provisions of Article L. 233-6 of the French Commercial Code, we hereby inform you that the Company did not, over the financial year ended, acquire any holdings of more than one twentieth, one tenth, one fifth, one third, one half or two thirds of the capital of any company having its registered office within the territory of France.

1.8 Payment terms

Pursuant to Article L. 441-6-1 and Article D. 441-4 of the French Commercial Code, we hereby provide you with a breakdown of the payment terms of our suppliers and clients presenting invoices received and issued unpaid at the closing date of the financial year whose term has expired:

	Art. D. 441 I.-1: Unpaid invoices received and overdue at year-end					**Art. D. 441 I.-1: Unpaid invoices issued and overdue at year-end**				
	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total
(A) Late payments by period overdue										
Number of invoices concerned	71	10	8	134	223	42	14	15	46	117
Total invoice amount concerned (incl. tax)	476 112	20 594	114 202	1 417 669	2 028 577	322 785	151 813	97 892	398 768	971 258
% of total purchases during the fiscal year (incl. tax)	6,3%	0,3%	1,5%	18,7%	26,7%					
% of total amount of revenue during the fiscal year (incl. tax)						4,1%	1,9%	1,3%	5,1%	12,5%
(B) Invoices excluded from (A) related to disputed or unrecognized receivables and payables										
Number of invoices excluded	0					0				
Total value of invoices excluded incl. tax	0					0				
(C) Reference payment terms used (contractual or statutory - Art. L. 441-6 or Art. L. 443-1 French Com. Code)										
Payment terms used for the calculation of late payments	*(select from list)*	Contractual terms				*(select from list)*	Contractual terms			
	(specify)	0 to 30 days				*(specify)*	0 to 60 days following the invoice date			

1.9 Amount of inter-company loans granted under Article L. 511-6 3bis of the French Monetary and Financial Code

Over the financial year, the Company has not granted any inter-company loans to companies with which it has economic links justifying the loans in accordance with Article L. 511-6 3bis of the French Monetary and Financial Code.

2. RESULTS – APPROPRIATION

2.1 Presentation and valuation method of the Company's financial statements

The financial statements presented to you in relation to this business year cover a period of twelve months and have been prepared in accordance with the presentation rules and valuation methods provided for by the regulations in force.

We hereby inform you that the presentation rules and valuation methods used for the financial statements presented to you have not been subject to any change from those used for the previous period.

It is noted that the 2017 annual financial data is that restated for the purposes of the prospectus in the context of the Company's IPO. All other clarifications and justifications are provided in the notes to the financial statements.

2.2 Financial and economic results

The Company financial statements for the financial year ended 31 December 2018 reveal a loss of €90,869.

The combined income of the Company over the financial year ended amounted to €8,891,437, compared to €6,116,102 for the previous year, i.e. an increase of 45% compared to the financial year ended 31 December 2017.

The combined income of the Company is broken down as follows:

	Financial year 2018	Financial year 2017
Operating income	€8,886,920	€5,972,069
Financial income	€4,517	€44,069
Non-recurring income	-	€99,964

Operating income totaling €8,886,920 (compared with €5,972,069 the previous financial year), is broken down as follows:

	Financial year 2018	Financial year 2017
Revenue	€7,445,743	€5,015,165
Stored production	€519,507	€56,467
Capitalized production	€845,890	€804,006
Operating subsidies	-	€44,159
Reversal of D/A and prov.	€66,025	€31,108
Other income	€9,754	€21,253

Total expenses before corporation tax for the same period amounted to €9,510,794 (compared to €6,552,704 the previous year), broken down as follows (excluding tax credit):

	Financial year 2018	Financial year 2017
Operating expenses	€9,459,823	€6,486,961
Financial expenses	€50,931	€62,073
Non-recurring expenses	€40	€3,670

Operating expenses totaling €9,459,823 (compared to €6,486,961 the previous year), are broken down as follows:

	2018	% revenue	2017	% revenue	% change
Purchase of raw materials and other supplies	€4,039,689	54.26%	€2,822,845	56.29%	+43%
Changes in inventory (raw mat.)	€47,972	0.64%	(€110,837)	(2.21%)	(143%)
Other purchases and external expenses	€2,029,834	27.26%	€1,290,777	25.74%	+57%
Tax, levies and similar payments	€91,495	1.23%	€45,626	0.91%	+101%
Salaries and benefits	€1,619,902	21.76%	€1,080,506	21.54%	+50%
Social security expenses	€663,156	8.91%	€460,115	9.17%	+44%
Amortization and depreciation of non-current assets	€762,461	10.24%	€748,310	14.92%	+2%
Provisions for current assets	€51,956	0.70%	€1,800	0.03%	+2,786%
Additions to provisions for contingencies and charges	€19,978	0.27%	€51,039	1.02%	(61%)
Other expenses	€133,380	1.79%	€96,779	1.93%	38%

The Company posted a net operating loss of €572,904 (compared with a €514,892 loss the previous year), net financial expense of €46,414 (compared to a €18,004 expense the previous year) and net non-recurring expenses of €40 (compared to expenses of €96,294 the previous year).

Income amounted to €8,891,437

and expenses to €8,982,306,

the income statement shows a net accounting

loss for the financial year of €90,869

(compared to a loss of €84,223 the previous year)

With regard to the Company's balance sheet, borrowings as of 31 December 2018 stood at €5,577,474 (up 16.56% from the previous year-end) and the balance sheet total was €8,022,627, compared to €6,864,022 for 2017.

The average number of employees was 33, an increase from 2017.

The table of results for the past five financial years provided for in Article R. 225-102 of the French Commercial Code is provided in **Appendix 1** of this report.

2.3 Recommended appropriation of earnings for the financial year ended

We propose allocating the €90,869 loss for the financial year as follows:

- SOURCE:

Retained earnings brought forward	(€329,312)
Net loss for the financial year	(€90,869)

- ALLOCATION:

To "RETAINED EARNINGS BROUGHT FORWARD" (€90,869)

Balance of "RETAINED EARNINGS CARRIED FORWARD" (after appropriation) (€420,181)

2.4 Shareholders' equity position

If you approve our recommended appropriation, the shareholders' equity of the Company will break down as follows:

Capital stock	€332,343
Issue premium	€737,295
Legal reserve	€0
Regulated reserves	€1,445,459
Other reserves	€102,760
Retained earnings	(€420,181)
Investment subsidies	€0
Shareholders' equity	€2,197,676

2.5 Dividends distributed in respect of the last three financial years

In accordance with the provisions of Article 243 bis of the French General Tax Code, we inform you that no dividend has been distributed over the past three financial years.

2.6 Non-tax-deductible costs and expenses

Pursuant to Article 223 quater and Article 223 quinquies of the French General Tax Code, we inform you that the financial statements for the financial year ended include non-tax-deductible expenses within the meaning of Article 39-4 of the said code in the amount of €16,549 (vehicle hire).

3. MAIN RISKS AND UNCERTAINTIES FACING THE COMPANY

3.1 Risks relating to the Company's business and markets

3.1.1 Risks related to product dependency

The Company is dependent on its flagship product, Blaxtair, which accounted for 85% of sales in 2018. The Company's strategy relies to a great extent on increasing sales of Blaxtair, particularly via the success of the new Blaxtair connected option, and the launch of version 4.

3.1.2 Risks relating to dependence on the company assembling the Company's products

The Company opted not to have its own assembly site for its production needs in order to devote its financial resources to R&D and commercial development and thereby minimize the corresponding risk. Product assembly is entrusted to a single provider, Servaly.

In the event of bankruptcy or operational shutdown of this partner, or a disagreement with it, the Company may be unable to identify and select a new service provider within the necessary time frame and/or under acceptable commercial terms, should the commercial relations with this partner be terminated for whatsoever reason.

In order to anticipate this type of situation, and to avoid dependence on its historic partner and secure the ramp-up of future production, a part of the production of this provider is already being handled by a new provider.

3.1.3 Risks relating to technological changes

The Company sells off-road pedestrian detection systems and 3D cameras for a variety of industrial applications. As such, the Company operates in markets characterized by rapid technological advances and frequent introductions of new products and/or standards, requiring it to have an efficient technological monitoring mechanism and the expertise required to integrate these innovations under economically viable conditions.

If the Company is unsuccessful in adapting to these changes by integrating them with its solutions, there could be a loss of attractiveness linked to the current performances of these solutions, which could then become obsolete.

3.1.4 Risks of dependency on a patent license held by the French Alternative Energies and Atomic Energy Commission (CEA)

It is noted in the introduction that the Company does not own the patents it operates. The systems designed by the Company integrate technologies developed by the CEA or co-developed by the CEA and the Company in a joint laboratory but for which the CEA is the exclusive owner of the intellectual property. However, the Company operates an exclusive license granted by the CEA for these seven patents relating to pedestrian detection for collision prevention for off-road industrial vehicles and object-of-interest detection via depth map analysis, renewed until 31 December 2025 by an addendum signed on 28 November 2018 with retroactive effect to 1 July 2018.

As long as the Company uses technologies under license, it will be dependent on the technologies licensed to it. Any breach by the Company of the conditions governing these licenses and the non-renewal of the license agreement may result in the loss of the right to use the technologies concerned, which may have a significant negative impact on the Company, its business, its financial position, its results, its development and its prospects.

The renewal of the license agreement under less favorable financial terms may also have a significant negative impact on the Company, its business, its financial position, its results, its development and its prospects.

3.1.5 Risks related to the maturity of the business

The Company’s projects are at different stages of development and present varying degrees of technical complexity as well as different conditions in terms of competitiveness.

The Company has established economic and technical performance targets per product. Achieving these targets will determine the competitiveness of the Company’s products. The Company may be unable to achieve these targets in particular if the product costs incurred turn out to be greater than anticipated.

Any delay in research and development for the Company’s projects could delay bringing its new products to market and result in the loss of its competitive advantage.

3.1.6 Reputational risk

The Company's reputation plays an important role in the presentation of its products and services and in its strategy for improving client loyalty and capturing new markets. The success of the Company over the coming years will be linked to its reputation in terms of the reliability, quality and range of the products proposed and developed. This reputation has already enabled the Company to establish its position and has made a major contribution to its development.

Although the company applies strict quality control measures for its products and the associated services, it cannot guarantee that it will not encounter difficulties related to the quality and/or reliability of its services or more generally to its capacity to provide the level of service expected by its clients.

The Company's position may be weakened if multiple negative client experiences are spread online or via other information channels. Media coverage of any difficulties faced may affect the Company's image and credibility.

The Company's business, financial position, results, development and perspectives in the medium and long term may be significantly impacted by a poor perception of its products and services among customers.

3.2 Financial risks

3.2.1 Risks relating to historical losses that may persist

Since the financial year ended 31 December 2011, the Company has posted a net loss every year. At 31 December 2018 and 31 December 2017, the net losses recorded in the Company financial statements amount respectively to €91k and €84k, resulting in particular from internal and external research and development costs as well as sales costs and marketing expenses.

The Company will continue to invest heavily in R&D over the coming years and will commit significant financial resources to sales activities, which could lead it to record further losses.

3.2.2 Risks relating to requirements for additional financing

Historically, the Company has benefited from diversified sources of financing including share issues, convertible bond issues, subsidy grants, bank loans, collection of Research tax credit (CIR), innovation tax credit (CII) and competitiveness and employment tax credit (CICE) receivables, as well as the revenue generated by sales of its products and services.

At 31 December 2018, the Company's liquid assets amounted to €643k.

The Company's capacity to raise additional funds to finance the development of its business will depend on financial, economic and cyclical conditions, and on other factors over which it has no control or limited control only. Moreover, the Company cannot guarantee that the additional funds will be available to it when it needs them and, where applicable, that the said funds will be available under acceptable conditions.

If the required funds are not available, the Company may be required to slow down the development of new versions of its systems, delay or halt the marketing of its offer on new markets including the machine vision market, or reduce the acceleration of its commercial release in its current markets.

Furthermore, to the extent that the Company raises capital through the issuance of new shares or other financial instructions that may grant future access to the Company's capital, its shareholders could be diluted. Additionally, debt financing, in so far as it is possible, may be costly and impose restrictive commitments upon the Company that could impact its business, its capacity to source future financing or distribute dividends to its shareholders.

The materialization of one or more of these risks would have a negative impact that may or may not be significant on the Company, its business, its financial position, its results and its development prospects.

3.2.3 Liquidity risks

Available cash at 31 December 2018 amounted to €642,964. Given the business activity observed over the first months of 2019 and the Company's IPO in February 2019, the Company does not expect to face a liquidity risk during financial year 2019.

3.3 Risks relating to the Company's organization

3.3.1 Risks relating to the dependency on key persons

The success of the Company is to a large extent dependent on (i) its management team, and in particular its founders, Patrick Mansuy, Chairman of the Management Board and Franck Gayraud, Management Board member and Chief Executive Officer, and (ii) its team of employees. The loss of its managers and key employees could impair the Company's ability to implement its strategy and continue to develop innovative products.

3.4 Litigation and regulatory risks

3.4.1 Risks relating to product liability and serial risks

The pedestrian detection solutions for off-road industrial vehicles are currently considered to be driving aides only. They (the Blaxtair solution in particular) are warning systems that in no way reduce the liability of the vehicle driver and their employer in the event of a collision. In effect, the Company's products are designed to complement the safety practices already in place. The general terms and conditions of sale of the Company's products stipulate that it is still possible for an object or pedestrian to escape detection.

Therefore, in the event of a collision, irrespective of the severity of the consequences, product liability cannot be invoked. However, it is possible that criminal complaints or legal proceedings may be filed or initiated against the Company by its customers. The defense of the Company during these proceedings may result in lost time and could be costly.

Although the Company has so far not been subject to any liability proceedings or other complaints in relation to the use of its products, it cannot guarantee that its current insurance cover is sufficient to protect against all the liability proceedings that may be brought against it, or to protect against an exceptional or unforeseen situation.

Moreover, the Company cannot guarantee that none of its products will be subject to a quality issue in the future. Under French law, the products sold by the Company are protected by the legal guarantee of conformity (two years against hidden defects). The general terms and conditions of sale stipulate that the liability of Arcure is limited to the replacement of defective products (except in the event of a major and proven breach on the part of the Company) and potentially to the cost of their replacement.

The existence of defective products may harm the brand image and the commercial reputation of the Company and result in a loss of clients.

3.4.2 Specific risks relating to the protection of industrial and intellectual property rights

The limits of the protection conferred by the intellectual property rights

There is no guarantee that the current and future applications for trademarks and other intellectual property rights filed by the Company will result in their registration at the industrial property offices. Indeed, the Company may encounter difficulties as regards the filing and assessment of some of its applications for trademarks or other intellectual property rights currently being assessed/registered. By way of example, when filing one of its trademarks in a country in which it is not protected, the Company may find that the trademark in question is not available in that country or is not sufficiently distinctive according the criteria of certain countries. A new trademark would therefore have to be found for the country concerned or an agreement would have to be negotiated with the owner of the previous trademark.

Finally, the issuance of a trademark or other intellectual property rights is not a guarantee of validity or enforceability. The Company’s competitors may at any time challenge the validity or enforceability of these rights in court or in the context of other specific proceedings. Depending on the outcome of the said challenges, the scope of the rights may be limited or the rights may be invalidated, thereby enabling their use by competitors. Moreover, any development, change or divergence in the interpretation of the legal framework governing intellectual property in Europe, the United States or any other country may enable competitors to use the inventions or intellectual property rights of the Company, or to develop or commercialize the Company’s products or technologies without financial compensation. Furthermore, in certain countries intellectual property rights are not protected in the same way as they are in Europe or the United States, and the efficient rules and procedures required to defend the Company’s rights may not exist in these countries. As such, there is no guarantee that the current or future trademarks or other intellectual property rights of the Company will not be challenged, invalidated or bypassed.

Consequently, the Company’s rights over its trademarks, the associated applications and its other intellectual property rights may not confer the anticipated level of protection against the competition.

Risks of disclosure of the Company’s know-how to third parties and claims relating to the intellectual property rights of the Company or third parties

The Company must also protect itself against the unauthorized disclosure and use of its confidential information, know-how and trade secrets.

The Company endeavors to safeguard the confidentiality of technologies, formulations, procedures, know-how and non-patented or non-patentable proprietary data by limiting the communication of key elements of its know-how to third parties to the information strictly required for its collaboration with said third parties only, by ensuring by contractual means that said third parties undertake not to divert, use or communicate this information, in particular through non-disclosure clauses.

Despite the implementation of these confidentiality procedures, the Company cannot guarantee that its co-contractors and the third parties adhere to these non-disclosure agreements and there is a risk that confidential information is disclosed or that an R&D partner, a customer or a competitor appropriates the know-how of the Company. Moreover, it cannot be guaranteed that the Company will succeed in obtaining an injunction or satisfactory compensation for damages in the event of breach of the said non-disclosure agreements.

The occurrence of one of these events may have a negative impact on the competitive advantage of the Company's product range and therefore on its development prospects and future results.

The Company monitors the activity (particularly as regards the filing of patents) of its competitors and assesses (through Freedom to Operate studies) the risk of infringing the patents of third parties in the course of its research and development programs.

However, the Company cannot guarantee that its products do not infringe the patents or intellectual property rights of third parties. As such, it is possible that third parties act in breach of their rights against the Company and/or the CEA in order to obtain damages and/or the shut-down of its production and/or marketing activities for the products or procedures concerned.

Furthermore, monitoring for the unauthorized use of the Company's products and technology and, therefore, the infringement of its own rights, particularly intellectual property rights, is a delicate issue. The Company may be limited to bringing legal or administrative disputes against third parties in order to assert its rights, in particular its intellectual property rights, before the courts. However, the Company cannot guarantee that it will avoid, penalize or obtain compensation for any unauthorized use or diversion of its products or technology, particularly in foreign countries in which its rights would be less well protected due to the territorial scope of the intellectual property rights.

Any litigation or dispute relating to these matters, whether justified or not and regardless of the outcome, may result in substantial costs and harm the financial position and reputation of the Company. Moreover, despite the efforts undertaken and the fees incurred, the Company may not obtain the protection or penalty it seeks.

The Company has not been subject to any dispute relating to industrial or intellectual property rights in the past.

4. AGREEMENTS REFERRED TO IN ARTICLE L. 225-86 ET SEQ. OF THE FRENCH COMMERCIAL CODE

Pursuant to Article L. 225-88, our Statutory Auditors have prepared a special report on the agreements referred in Article L. 225-86 et seq. of the French Commercial Code entered into during the financial year ended 31 December 2018 or the performance of which is continued during this financial year.

The list of agreements referred in Article L. 225-86 et seq. of the French Commercial Code is provided in **Appendix 2** of this report.

5. ADMINISTRATION AND CONTROL OF THE COMPANY

In accordance with the provisions of Article L.225-37-4 1° of the French Commercial Code, a list of all the remits and functions performed in each company by each corporate officer during the financial year is now provided in the corporate governance report of the Supervisory Board in **Appendix 3**.

6. STATUTORY AUDITORS' REPORT

In accordance with the legal and regulatory provisions, the reports of the Statutory Auditors are available to you.

7. EMPLOYEE SHARE OWNERSHIP

In accordance with the provisions of Article L. 225-102 of the French Commercial Code, we report on the state of the company's employee share ownership scheme as at 31 December 2018.

At 31 December 2018, the proportion of the share capital represented by the shares held by Company employees, including corporate officers, subject to collective management (PEE or FPCE plans) or allocated free of charge pursuant to Article L. 225-197-1 of the French Commercial Code, calculated in accordance with the provisions of Article L. 225-102 of the French Commercial Code, was 0.54% (18,000 shares out of a total of 3,323,430 shares).

Founders' warrants

By decision dated 13 April 2012, the Combined Shareholders' Meeting of the Company delegated its authority to the Management Board to issue a maximum number of 6,000 BSPCE founders' warrants.

By decision dated 10 September 2012 (following the prior authorization of the Supervisory Board dated 23 July 2012), in application of the authority delegated, the Management Board issued 3,000 BSPCE founders' warrants to two Company employees:

Since then, 201 BSPCE founders' warrants have been exercised resulting in the issuance of 2,010 new ordinary shares (after stock split).

By decision dated 28 April 2014, the Ordinary and Extraordinary Shareholders' Meeting of the Company delegated its authority to the Management Board to issue a maximum number of 6,000 BSPCE founders' warrants.

By decision dated 31 March 2015 (after prior authorization of the Supervisory Board dated 18 December 2014), making use the authority delegated, the Management Board issued 2,500 BSPCE founders' warrants to two Company employees. Of these 2,500 BSPCE founders' warrants, 1,499 are still exercisable.

Bonus share allocation

By decision dated 26 May 2016, the Combined Shareholders' Meeting of the Company delegated its authority to the Management Board to allocate bonus shares to Company employees, within the limit of 1,800 ordinary shares.

By decision dated 5 July 2016, making use the authority delegated, the Management Board allocated 1,800 bonus shares to one employee.

By decision dated 6 July 2018, the Management Board recorded the vesting of these 1,800 bonus shares allocated on 5 July 2016, by delegation of the Shareholders' Meeting of 26 May 2016, as well as the resulting capital increase.

Capital increase reserved for employees

Furthermore, in accordance with the provisions of Article L. 225-129-6 paragraph 2 of the French Commercial Code, an Extraordinary Shareholders' Meeting must be convened every three years in order to vote on a draft resolution to carry out a capital increase reserved for employees if the shares held by the staff of the Company and the subsidiaries related to it within the meaning of Article L. 225-180 of the French Commercial Code represent less than 3% of the share capital.

To the extent that the shares held in the Company are not subject to collective management as part of a company savings scheme as provided for in Articles L. 3332-1 to L. 3332-28 of the French Labor Code or as part of a mutual investment fund governed by Article L. 214-39 of the French Monetary and Financial Code, the percentage of employee share ownership at 31 December 2018 is therefore considered to be less than 3% of the share capital.

Equally, to the extent that the Company is not controlled within the meaning of Article L. 233-16 of the French Commercial Code by a company having implemented, under the conditions of Article L. 3344-1 paragraph 2 of the French Labor Code, a capital increase mechanism from which the employees of the Company may benefit, it is bound by this obligation to periodically consult the shareholders.

In this particular case, pursuant to this mechanism a capital increase was proposed at the Combined Shareholders’ Meeting of 26 May 2016 (this resolution was rejected).

The starting point of the three-year period was therefore the Combined Shareholders’ Meeting of 26 May 2016.

The frequency with which the extraordinary shareholders’ meeting is consulted with regard to a proposed capital increase reserved for employees is extended from 3 to 5 years if an Extraordinary Shareholders’ Meeting has voted on a draft resolution to carry out such a capital increase within the last three years.

In this particular case, a capital increase reserved for employees was proposed at the Combined Shareholders’ Meeting of 17 January 2019 and was rejected by shareholders.

An Extraordinary Shareholders’ Meeting must therefore be held at the latest in 2021, unless before that date the 3% threshold is surpassed and the Company is required to propose a capital increase reserved for employees at the time of a subsequent capital increase only.

8. OWNERSHIP STRUCTURE

Given that the common stock of the Company was first listed on 26 February 2019, no threshold crossing declaration was received pursuant to Article L. 233-7 and Article L. 233-12 of the French Commercial Code during 2018.

Therefore, this report does not indicate, in accordance with Article L. 233-13 of the French Commercial Code, the identity of the natural persons or legal entities directly or indirectly holding more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-fourth, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of the share capital or voting rights at the shareholders’ meetings over the course of the financial year:

The changes in capital over the financial year are indicated in paragraph 1.1 of this report.

The ownership structure at 31 December 2018 was as follows:

	Current capital	
	Number of shares and voting rights	% of capital and voting rights
Founder-managers and related parties	**1,245,240**	**37.47%**
Patrick Mansuy	499,090	15.02%
Franck Gayraud	499,080	15.02%
Karine Mansuy	247,060	7.43%
Céline Gayraud	10	0.00%
Investors	**1,744,310**	**52.49%**
CEA (through 2 investment vehicles)	461,090	13.87%
Inocap Gestion (through 8 investment vehicles)	783,190	23.57%
Siparex Proximité Innovation (through 3 investment vehicles)	500,030	15.05%
Employees	20,020	0.60%
Other natural persons	313,860	9.44%
TOTAL	**3,323,430**	**100.00%**

Following the changes in capital that took place after the close of the financial year appearing in paragraph 1.2 above, the ownership structure at 26 February 2019, the day on which the Company's shares were first listed, was as follows:

	Number of shares and voting rights	% of capital and voting rights
Founder-managers and related parties	**1,245,240**	**24.98%**
Patrick Mansuy	499,090	10.01%
Franck Gayraud	499,080	10.01%
Karine Mansuy	247,060	4.96%
Céline Gayraud	10	0.00%
Financial shareholders	**2,854,030**	**57.26%**
CEA (through 2 investment vehicles)	461,090	9.25%
Inocap Gestion (through 11 investment vehicles)	1,300,056	26.08%
Siparex Proximité Innovation (through 3 investment vehicles)	557,172	11.18%
Odyssée (through 6 investment vehicles)	535,712	10.75%
Employees	20,020	0.40%
Other natural persons	313,860	6.30%
Public	550,992	11.05%
TOTAL	**4,984,142**	**100%**

9. SHARE BUYBACK

During the financial year ended 31 December 2018, the Company did not repurchase any of its own shares and no shares are held by a third party on its behalf.

The Combined Shareholders' Meeting of 17 January 2019 authorized the Management Board to trade in the Company's securities, for a period of 18 months under the condition precedent of the IPO and subject to the approval of the Supervisory Board, in particular for the purposes of trading in the Company's securities in order to increase the liquidity of the share.

In this context, on 25 February 2019, the Company entered into a liquidity contract with Oddo BHF SCA and allocated the sum of €150,000.

10. SUMMARY OF TRANSACTIONS CARRIED OUT BY THE MANAGERS AND PERSONS REFERRED TO IN ARTICLE L. 621-18-2 OF THE FRENCH MONETARY AND FINANCIAL CODE IN RELATION TO THE COMPANY'S SECURITIES DURING THE FINANCIAL YEAR

In accordance with Article 223-26 of the AMF General Regulation, we confirm that no transaction referred to in Article L. 621-18-2 of the French Monetary and Financial Code was carried out during financial year 2018.

11. DELEGATIONS RELATING TO CAPITAL INCREASES

In accordance with the provisions of Article L. 225-37-4 (3) of the French Commercial Code, the summary table of the delegations of authority and powers granted by the shareholder's meeting to the Management Board in relation to capital increases, pursuant to Article L. 225-129-1 and Article L. 225-129-2 of the French Commercial Code, is now presented in the Supervisory Board's corporate governance report in **Appendix 3**.

12. TERMS OF OFFICE OF THE MEMBERS OF THE MANAGEMENT BOARD, THE MEMBERS OF THE SUPERVISORY BOARD AND THE STATUTORY AUDITORS

12.1 Terms of office of the members of the Management Board

The terms of office of the members of Management Board will expire at the end of the shareholders' meeting called to approve the financial statements for the financial year ended 31 December 2023.

12.2 Terms of office of the members of the Supervisory Board

Céline Gayraud and Anne-Sophie Derôme, members of the Supervisory Board, have resigned from their positions, effective as of the end of the Supervisory Board meeting called to record their resignation (27 March 2019).

Two new members of the Supervisory Board will be proposed to the Shareholders' Meeting, for a term of office lasting six financial years (i.e. until the end of the shareholders' meeting called to approve the financial statements for the year ended 31 December 2024). The resumes of the proposed new members will be presented at the Supervisory Board meeting of 27 March 2019.

Moreover, in accordance with the commitments undertaken in the shareholders' agreement signed on 16 January 2019, the members of the Supervisory Board put forward Odyssée Venture, represented by Mr. Julien Andrieux, as a new member of the Supervisory Board for a term of office lasting six financial years (i.e. until the end of the shareholders' meeting called to approve the financial statements for the year ended 31 December 2024). Mr. Andrieux is invited to attend the Supervisory Board meeting called to approve the financial statements on 27 March 2019.

Pursuant to the legal and statutory provisions, we request that you approve the appointment of the new Supervisory Board members that will be proposed to you.

12.3 Terms of office of the Statutory Auditors

We hereby inform you that terms of office of the Statutory Auditors are not due to expire.

The terms of office of GMBA Essonne, as principal statutory auditor, and Mr. Pascal Maulard, as alternate statutory auditor, were renewed at the Combined Shareholders' Meeting of 26 May 2016.

KPMG SA, as principal statutory auditor, and SALUSTRO REYDEL, as alternate statutory auditor, were appointed at the Shareholders' Meeting of 25 October 2018.

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The draft resolutions submitted for your review cover the main points of this report. If these proposals meet with your approval, we kindly request that you approve the resolutions submitted to you.

The Management Board

Appendix 1

Financial results of the Company over the past five financial years - In €

Item / Period	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Duration of the financial year	12 months	12 months	12 months	12 months	12 months
I- Financial position at year-end					
a) Share capital	332,343	296,313	296,313	275,100	252,543
b) Number of shares issued	332,343	296,313	296,313	275,100	252,543
c) Number of bonds convertible into shares					
II- Results of operations for the year					
a) Pre-tax revenue	7,445,743	5,015,165	2,800,278	1,828,579	1,131,676
b) Profit/(loss) before tax, depreciation, amortization and provisions	167,998	303,725	(500,618)	(413,228)	(1,132,734)
c) Corporation tax	(528,488)	(352,379)	(358,401)	(463,750)	(627,804)
d) Profit/(loss) after tax, before depreciation, amortization and provisions	696,486	656,104	(142,217)	50,522	(504,930)
e) Profit/(loss) after tax, depreciation, amortization and provisions	(90,869)	(112,194)	(260,267)	12,717	(555,096)
f) Distributed earnings					
g) Employee profit-sharing					
III- Earnings per share					
a) Profit/(loss) after tax, before depreciation and amortization	2	2	(0)	0	(2)
b) Profit/(loss) after tax, depreciation, amortization and provisions	(0)	(0)	(1)	0	(2)
c) Dividends paid per share					
IV- Staff					
a) Average number of employees	26	17	18	19	19
b) Total payroll	1 619 902	1,080,506	939,006	999,619	904,732
c) Amounts paid in respect of employee benefits	663,156	460,115	296,439	276,880	240,166

Appendix 2

Agreements referred to in Article L. 225-86 et seq. of the French Commercial Code

<u>Agreements entered into during the year ended 31 December 2018:</u>

To enable the Company to develop its business in the short term, a number of Company shareholders granted exceptional current account advances to the Company in late January/early February 2018, as follows:

- Antoine Moreau: €150,000
- Pascale Moreau: €150,000
- Karine Mansuy €200,000
- Christian Albrich: €100,000
- Jean-Marc Bellemin: €100,000

These current account advances bear interest at an annual rate of 6% and are repayable by 31 December 2018 at the latest. Their maturity was initially set at 31 December 2018 then extended by amendment until 30 June 2019, in accordance with the authorization granted by the Supervisory Board on 8 November 2018.

Pursuant to Article L. 225-88 of the French Commercial Code, these agreements were authorized by the Supervisory Board on 23 January 2018. The Chairman of the Supervisory Board informed the Statutory Auditors about this agreement, which must be submitted for the approval of the shareholders' meeting at which the Statutory Auditors shall present a special report on these agreements.

<u>Agreements continuing during the year ended 31 December 2018:</u>

The performance of the following agreements, already authorized by the Supervisory Board and approved by the shareholders' meeting during previous financial years, continued during the year ended:

Companies or administrators concerned	Nature, purpose and conditions of agreement	FY amount excl. tax
INOCAP Gestion	Shareholder current account agreement with the INOCAP Gestion fund, the main terms of which are as follows: - Total amount: €250,000 - Interest rate: 5% per annum; - Repayment date: 31 March 2018; - In the event of non-repayment at the repayment date stipulated, conversion of the advance into category B new shares at a maximum unit price of 21 euros or 30% less than the price applied for a capital increase carried out with an incoming third party These advance amounting to €250k bearing interest at 5% were repaid by the deadline stipulated, i.e. 31 March 2018.	€250,000
SCI ASSOR	- Office rents - Associated rental costs - Office guarantees and deposit	€46,214 €40,471 €35,742
CEA-LIST	R&D services billed by CEA-LIST to Arcure: - Detection and assessment of generic obstacles and combination of obstacle detectors - Segmentation via tracking - Portion detection - 3D scene analysis - CEA project steering	€154,960
CEA-LIST	Fees to be paid by CEA-LIST to Arcure: - Royalties	€124,729

Appendix 3

Corporate governance report presented by the Supervisory Board to the shareholders' meeting called to approve the financial statements for the year ended 31 December 2018

Dear Shareholders,

In accordance with the provisions of Article L.225-68 paragraph 6 of the French Commercial Code, we inform you that the Supervisory Board is required to present a corporate governance report as well as its observations on the Management Board report and the financial statements for the year ended to the annual shareholders' meeting.

Observations on the Management Board report and financial statements for the year ended 31 December 2018

We inform you that the Management Board submitted the management report prepared in relation to the financial statements and the operations of the year ended 31 December 2018, as well as said financial statements, to the Supervisory Board within three months following the close of said financial year.

The financial and economic results of the Company for the year ended 31 December 2018 are presented hereinafter.

The Company financial statements for the year ended 31 December 2018 show a loss of €90,869.

For the year ended 31 December 2018, the Company posted revenue of €7,445,743, compared to €5,015,165 the previous year (on the basis of the restated 2017 financial statements prepared for the purposes of the IPO prospectus).

Total income generated by the Company for the year ended amounted to €8,891,437, compared to €6,116,102 for the previous year, i.e. an increase of 45% compared to the year ended 31 December 2017.

Operating income totaling €8,886,920 (compared with €5,972,069 the previous financial year), is broken down as follows:

	Financial year 2018	Financial year 2017
Revenue	€7,445,743	€5,015,165
Stored production	€519,507	€56,467
Capitalized production	€845,890	€804,006
Operating subsidies	-	€44,159
Reversal of D/A and prov.	€66,025	€31,108
Other income	€9,754	€21,253

Total expenses incurred by the Company for the year ended, before corporation tax, amounted to €9,510,794 (compared to €6,552,704 the previous year).

Operating expenses totaling €9,459,823 (compared to €6,486,961 the previous year), are broken down as follows:

	2018	*% revenue*	2017	*% revenue*	*% change*
Purchase of raw materials and other supplies	€4,039,689	*54.26%*	€2,822,845	*56.29%*	*+43%*
Changes in inventory (raw mat.)	€47,972	*0.64%*	(€110,837)	*-2.21%*	*-143%*
Other purchases and external expenses	€2,029,834	*27.26%*	€1,290,777	*25.74%*	*+57%*
Tax, levies and similar payments	€91,495	*1.23%*	€45,626	*0.91%*	*+101%*
Salaries and benefits	€1,619,902	*21.76%*	€1,080,506	*21.54%*	*+50%*
Social security expenses	€663,156	*8.91%*	€460,115	*9.17%*	*+44%*
Amortization and depreciation of non-current assets	€762,461	*10.24%*	€748,310	*14.92%*	*+2%*
Provisions for current assets	€51,956	*0.70%*	€1,800	*0.03%*	*+2.786%*
Additions to provisions for contingencies and charges	€19,978	*0.27%*	€51,039	*1.02%*	*-61%*
Other expenses	€133,380	*1.79%*	€96,779	*1.93%*	*38%*

The Company posted a net operating loss of €572,904 (compared with a €514,892 loss the previous year), net financial expense of €46,414 (compared to a €18,004 expense the previous year) and net non-recurring expenses of €40 (compared to income of €96,294 the previous year).

Income amounted to	€8,891,437
and expenses to	€8,982,306,

the income statement shows a net accounting

loss for the financial year of €90,869

(compared to a loss of €84,223 the previous year)

With regard to the Company's balance sheet, borrowings as of 31 December 2018 stood at €5,577,474 (up 16.56% from the previous year-end) and the balance sheet total was €8,022,627.

In view of the foregoing, after reviewing and verifying the Company financial statements and the management report presented by the Management Board, we have no specific matters to report regarding either the Management Board's management report or the financial statements for the year ended 31 December 2018.

List of all positions and offices held by corporate officers

In accordance with the provisions of Article L. 225-37-4 (1) of the French Commercial Code, a list of all positions and offices held in each company by each corporate officer during the financial year is provided below.

Name	Companies where positions and offices are held	Positions and offices held
M. Patrick Mansuy	Arcure	Chairman of the Management Board
		Member of the Management Board
	Assor	Manager
M. Franck Gayraud	Arcure	Chief Executive Officer
		Member of the Management Board
	Assor	Manager
M. Antoine Moreau	Arcure	Chairman of the Supervisory Board
	Tetracordes (1)	President
	Ossiam Lux	Director
	Opus131	Manager
	Juvial (2)	Manager
	MW PLEASE	Manager
	BJDS	Manager
	JUMO	Manager
	STAY	Manager
Mme Céline Gayraud	Arcure	Vice-President of the Supervisory Board
Mme Anne-Sophie Derome	Arcure	Member of the Supervisory Board
M. Jean-Christophe Menissier	Arcure	Permanent Representative of INOCAP Gestion at the Supervisory Board
	INOCAP Gestion SAS	Chief Executive Officer
	Kalray SA	Permanent Representative of INOCAP at the Supervisory Board
	RB3D	Permanent Representative of INOCAP at the Supervisory Board
M. François Breniaux	Arcure	Member of the Supervisory Board (Permanent Representative of Supernova Invest)
	Haption	Permanent Representative of CEA Investissement at the Supervisory Board
	Multix (2)	Permanent Representative of CEA Investissement at the Supervisory Board
	RB3D	Permanent Representative of Supernova Invest at the Supervisory Board
	Apix Analytics	Permanent Representative of Supernova Invest at the Board of Directors
	Ethera (2)	Permanent Representative of CEA Investissement at the Board of Directors
	Genes'ink	Permanent Representative of Supernova Invest at the Board of Directors
	Kronosafe	Permanent Representative of Supernova Invest at the Board of Directors
	Nanomakers	Permanent Representative of Supernova Invest at the Board of Directors
	Nawa Technologies (2)	Permanent Representative of CEA Investissement at the Board of Directors
	Mirsense	Permanent Representative of Supernova Invest at the Board of Directors
	T-Waves Technologies	Permanent Representative of Supernova Invest at the Strategic Committee
	Tridimeo	Permanent Representative of CEA Investissement at the Board of Directors
	Symbiofcell	Permanent Representative of CEA Investissement at the Board of Directors

Name	Companies where positions and offices are held	Positions and offices held
M. Mathias Flattin	Arcure	Permanent Representative of Siparex Proximité Innovation at the Supervisory Board
	Microdon	Permanent Representative of Siparex Proximité Innovation at the Supervisory Board
	Itris Automation Square (2)	Permanent Representative of Siparex Proximité Innovation at the Supervisory Board
	Nanocloud (2)	Permanent Representative of Siparex Proximité Innovation at the Supervisory Board
	Gabsee	Permanent Representative of Siparex Proximité Innovation at the Strategic Committee
	Odyssey	Permanent Representative of Siparex Proximité Innovation at the Supervisory Board
	Inventime	Permanent Representative of Siparex Proximité Innovation at the Supervisory Board
	Performance vision (2)	Permanent Representative of Siparex Proximité Innovation at the Supervisory Board
	Ville pour tous	Permanent Representative of Siparex Proximité Innovation at the Supervisory Board
Mme Karine Mansuy	Arcure	Member of the Supervisory Board
	SCI Meteor	Manager
	EURL Ecole	Manager
	SCI Gentyfi	Manager
	SCI Vaulux	Manager
	SCI Karine Montrouge	Manager

(1) Manager then Chairman following change of legal form to SASU (simplified limited company with a sole shareholder) in 2018
(2) End of term of office in 2018

Agreements referred to in Article L. 225-37-4 of the French Commercial Code

In accordance with Article L. 225-37-4 (2) of the French Commercial Code, as the Company does not have any subsidiaries, we inform you that no agreement has been concluded, either directly or through an intermediary, between (i) one of the corporate officers or one of the shareholders holding over 10% of the Company's voting rights and (ii) another company of which the Company holds more than half of the capital either directly or directly.

Authorization to increase the capital

In accordance with the provisions of Article L. 225-37-4 (3) of the French Commercial Code, the list of the currently valid delegations of authority and powers granted by the shareholders' meeting to the Management Board in relation to capital increases, pursuant to Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code, is as follows:

Type and date of shareholders' meeting	Authority/powers delegated	Term of authorization	Exercise of authorization
AGM 17 January 2019	Delegation of authority to the Management Board, under the condition precedent of the listing of the Company's common stock for trading on Euronext Growth Paris, to increase the capital stock by a maximum nominal amount of €220,000, with preferential subscription rights maintained.	26 months, i.e. until 17 March 2021.	The Management Board did not exercise this authorization during the year ended.
AGM 17 January 2019	Delegation of authority to the Management Board to increase the capital stock by a maximum nominal amount of €220,000, with cancellation of preferential subscription rights.	26 months, i.e. until 17 March 2021.	The Management Board did not exercise this authorization during the year ended. During the current financial year, the Management Board exercised this authorization at its meeting on 21 February 2019 (Company IPO) and approved a capital increase of a nominal amount of €112,500, increasing the capital stock from €332,343 to €444,843, through issuance of 1,125,000 new common shares, at a price of €7 per share comprising a par value of €0.10 and an issue premium of €6.90 each, with cancellation of preferential subscription rights, by way of a public offering.
AGM 17 January 2019	Delegation of authority to the Management Board, under the condition precedent of the listing of the Company's common stock for trading on Euronext Growth Paris, to increase the capital stock by a maximum nominal amount of €220,000, with cancellation of preferential subscription rights, by private placement as referred to in Article L. 411-2 (II) of the French Monetary and Financial Code.	26 months, i.e. until 17 March 2021.	The Management Board did not exercise this authorization during the year ended.

Type and date of shareholders' meeting	Authority/powers delegated	Term of authorization	Exercise of authorization
AGM 17 January 2019	Delegation of authority to the Management Board to increase the number of securities to be issued in the event of oversubscription with preferential subscription rights canceled or maintained.	26 months, i.e. until 17 March 2021.	The Management Board did not exercise this authorization during the year ended.
AGM 17 January 2019	Delegation of authority to the Management Board to issue and allocate founders' warrants free of charge, within the limit of 10% of the capital stock on the date of issue, with cancellation of preferential subscription rights.	18 months, i.e. until 17 July 2020.	The Management Board did not exercise this authorization during the year ended.
AGM 17 January 2019	Delegation of authority to the Management Board to allocate new or existing bonus shares, within the limit of 10% of the capital stock on the date of issue.	38 months, i.e. until 17 March 2022.	The Management Board did not exercise this authorization during the year ended.
AGM 17 January 2019	Delegation of authority to the Management Board to allocate stock options, within the limit of 10% of the capital stock on the date of issue.	38 months, i.e. until 17 March 2022.	The Management Board did not exercise this authorization during the year ended.
AGM 17 January 2019	Delegation of authority to the Management Board to issue and allocate stock warrants, within the limit of 10% of the capital stock on the date of issue, with cancellation of preferential subscription rights.	18 months, i.e. until 17 July 2020.	The Management Board did not exercise this authorization during the year ended.

The Supervisory Board

2018 COMPANY FINANCIAL STATEMENTS

Balance sheet

		31-Dec.-18			31-Dec.-17 Restated	31-Dec.-17 Approved
In €	**Note**	**Gross**	**D/A & Prov.**	**Net**	**Net (1)**	**Net**
Concessions, patents, trademarks, software and similar rights		4 035 334	(2 608 685)	1 426 649	2 134 534	2 134 534
Other intangible assets		1 663 734	-	1 663 734	804 006	804 006
Intangible assets		**5 699 068**	**(2 608 685)**	**3 090 383**	**2 938 540**	**2 938 540**
Plant, industrial equipment & tools		79 367	(30 478)	48 889	15 972	15 972
Other property, plant and equipment		179 347	(114 914)	64 433	61 782	61 782
Non-current assets in progress		11 760	-	11 760	20 760	20 760
Property, plant and equipment		**270 474**	**(145 392)**	**125 082**	**98 515**	**98 515**
Other financial assets		62 962	-	62 962	35 811	35 811
Financial assets		**62 962**	**-**	**62 962**	**35 811**	**35 811**
Non-current assets	6.14/6.15	**6 032 505**	**(2 754 077)**	**3 278 428**	**3 072 866**	**3 072 866**
Raw materials, supplies	6.16	407 494	-	407 494	455 465	455 465
Goods	6.16	688 826	(33 600)	655 226	169 320	169 320
Advances & down payments on orders	6.17	-	-	-	312	312
Trade and related receivables	6.17 - 6.18	493 568	(42 587)	450 981	569 133	1 609 698
Other receivables	6.17 - 6.18	2 303 671	-	2 303 671	1 438 618	886 245
Cash	6.19	642 964	-	642 964	1 114 877	1 404 110
Prepaid expenses	6.20	283 863	-	283 863	43 432	329 792
Current assets		**4 820 386**	**(76 187)**	**4 744 199**	**3 791 157**	**4 854 942**
Total assets		**10 852 891**	**(2 830 264)**	**8 022 627**	**6 864 022**	**7 927 807**

(1) Restated 2017 financial statements prepared for the purposes of the Prospectus at the time of the IPO - See Note 5

In €	**Note**	**31-déc.-18**	**31-Dec.-17 Restated (1)**	**31-Dec.-17 Approved**
Capital stock (of which paid up: 332,343)		332 343	296 313	296 313
Additional paid-in capital		737 295	-	-
Regulated reserves		1 445 459	1 445 459	1 445 459
Other reserves		102 760	104 560	104 560
Retained earnings		(329 312)	(245 089)	(245 089)
Net income/(loss) for the year		(90 869)	(84 223)	(112 194)
Shareholders' equity	6.21	**2 197 676**	**1 517 020**	**1 489 049**
Conditional advances	6.22	187 500	475 000	475 000
Other equity		**187 500**	**475 000**	**475 000**
Provisions for contingencies	6.23	59 978	87 039	115 010
Provisions for contingencies and charges		**59 978**	**87 039**	**115 010**
Convertible bond loans	6.24	-	877 578	877 578
Loans and other borrowings from credit institutions	6.24	1 756 227	660 075	481 043
Borrowings and other financial debt	6.24	937 906	357 532	357 532
Advances & down payments received on current orders	6.17	395 536	767 584	1 087 294
Trade and related payables	6.17	2 052 787	1 707 760	1 910 012
Tax and social security liabilities	6.17	409 523	383 800	383 800
Other payables	6.17	12 203	24 149	745 005
Prepaid income	6.20	13 292	6 484	6 484
Borrowings and payables		**5 577 474**	**4 784 963**	**5 848 748**
Total liabilities		**8 022 627**	**6 864 022**	**7 927 807**

(1) Restated 2017 financial statements prepared for the purposes of the Prospectus at the time of the IPO - See Note 5

Income statement

In €	Note	31-Dec-18	2017 Restated (1)	2017 Approved
Production sold - goods		6 321 521	4 421 043	4 421 043
Production sold - services		1 124 222	594 122	594 122
Net revenue	6.1	**7 445 743**	**5 015 165**	**5 015 165**
Stored production	6.2	519 507	56 467	56 467
Capitalized production	6.2	845 890	804 006	804 006
Operating subsidies	6.2	-	44 159	138 957
Reversals of prov. and D/A, expense reclassification	6.2	66 025	31 018	67 841
Other income	6.2	9 754	21 253	21 253
Total operating income		**8 886 920**	**5 972 069**	**6 103 689**
Purchases of raw materials and other supplies	6.3	4 039 689	2 822 845	2 822 845
Changes in inventory	6.3	47 972	(110 837)	(110 837)
Other purchases and external expenses	6.4	2 029 834	1 290 777	1 379 030
Tax, levies and similar payments		91 495	45 626	45 626
Salaries and benefits	6.5	1 619 902	1 080 506	1 080 506
Social security expenses	6.5	663 156	460 115	460 115
Amortization and depreciation on non-current assets	6.8	762 461	748 310	748 310
Provisions for current assets	6.8	51 956	1 800	1 800
Provisions for contingencies & charges	6.8	19 978	51 039	79 010
Other expenses	6.9	133 380	96 779	8 527
Total operating expenses		**9 459 823**	**6 486 961**	**6 514 932**
Operating profit/(loss)	6.10	**(572 904)**	**(514 892)**	**(411 243)**
Reversals of provisions and expense reclassification		-	36 823	-
Foreign exchange gains		4 517	7 246	7 246
Total financial income		**4 517**	**44 069**	**7 246**
Interest and related expenses		49 406	49 500	49 500
Foreign exchange losses		1 524	12 573	12 573
Total financial expenses		**50 931**	**62 073**	**62 073**
Net financial income/(expense)	6.11	**(46 414)**	**(18 004)**	**(54 827)**
Earnings before tax and non-recurring items		**(619 317)**	**(532 896)**	**(466 070)**
Non-recurring income on operating transactions		-	94 797	-
Non-recurring income on capital transactions		-	5 167	5 167
Total non-recurring income		**-**	**99 964**	**5 167**
Non-recurring expenses on operating transactions		40	3 670	3 670
Total non-recurring expenses		**40**	**3 670**	**3 670**
Net non-recurring income/(expenses)	6.12	**(40)**	**96 294**	**1 497**
Corporation tax	6.13	528 488	352 379	352 379
Total income		**8 891 437**	**6 116 102**	**6 116 102**
Total expenses		**8 982 306**	**6 200 325**	**6 228 296**
Net income/(expense)		**(90 869)**	**(84 223)**	**(112 194)**

(1) Restated 2017 financial statements prepared for the purposes of the Prospectus at the time of the IPO - See Note 5

Statement of change in shareholders' equity

In €	1-janv.-17	Appropriation of earnings for the previous financial year	Allocation of the issue premium	Net income/(loss) for the period	Reversals of investment subsidies	Capital increase	31-Dec.-17 (1)
Subscribed, called-up, paid-up capital	296 313	-	-	-	-	-	296 313
Issue premiums	3 933 730	-	(3 933 730)	-	-	-	-
Regulated reserves	1 445 459	-	-	-	-	-	1 445 459
Other reserves	104 560	-	-	-	-	-	104 560
Retained earnings	(3 918 552)	(260 267)	3 933 730	-	-	-	(245 089)
Net income/(loss) for the previous financial year	(260 267)	260 267	-	-	-	-	-
Investment subsidies	94 797	-	-	-	(94 797)	-	-
Total before net income	**1 696 041**	**-**	**-**	**-**	**(94 797)**	**-**	**1 601 243**
Net income for the current financial year	-	-	-	(84 223)	-	-	(84 223)
Total after net income	**1 696 041**	**-**	**-**	**(84 223)**	**(94 797)**	**-**	**1 517 020**

(1) Restated 2017 financial statements prepared for the purposes of the Prospectus at the time of the IPO - See Note 5

In €	1-Jan-18	Appropriation of earnings for the previous financial year	Net income/(loss) for the period	Capital increase	31-Dec-18
Subscribed, called-up, paid-up capital	296 313	-	-	36 030	332 343
Issue premiums	-	-	-	737 295	737 295
Regulated reserves	1 445 459	-	-	-	1 445 459
Other reserves	104 560	-	-	(1 800)	102 760
Retained earnings	(245 089)	(112 194)	-	-	(357 283)
Net income/(loss) for the previous financial year	(112 194)	112 194	-	-	-
Restated net income/(loss) for the previous financ	27 971	-	-	-	27 971
Total before net income	**1 517 020**	**-**	**-**	**771 525**	**2 288 545**
Net income for the current financial year	-	-	(90 869)	-	(90 869)
Total after net income	**1 517 020**	**-**	**(90 869)**	**771 525**	**2 197 676**

Cash flow statement

In €	Note	31-Dec-18	31-Dec-17
Operating profit/(loss)	6.10	**(572 904)**	**(514 892)**
+ Net depreciation and amortization	6.8	762 461	748 310
+ Net provisions	6.8	24 895	28 838
Gross operating profit/(loss)		**214 453**	**262 257**
- Change in trade receivables and other receivables		(163 741)	(69 504)
- Change in inventory		(471 535)	(167 304)
+ Change in trade payables and other payables		173 989	463 592
+ Change in net social security liabilities		(75 789)	123 700
+ Change in net tax liabilities (excl. corporation tax)		(102 451)	(12 787)
- Change in working capital for operating activities		**(639 527)**	**337 697**
Net cash flow from operating activities		**(425 074)**	**599 953**
+ Net financial expense - cash	6.11	(46 414)	(54 827)
+ Net non-recurring expenses - cash	6.12	(40)	(3 670)
+ Tax credits	6.13	528 488	352 379
- Change in receivables related to operations		(850 629)	(54 912)
+ Change in payables related to operations		45 208	52 774
Net cash flow from operating activities		**(748 461)**	**891 698**
- Purchase of property, plant and equipment and intangible assets	6.14	(940 872)	(850 895)
- Acquisitions of financial assets net of disposals	6.14	(27 152)	(162)
- Disposal of property, plant and equipment and intangible assets		-	5 167
Change in payables on non-current assets		-	-
+ Interest received		-	-
Net cash flow from investing activities		**(968 023)**	**(845 890)**
+ Capital increase	6.21	5 400	-
Change in other equity		-	-
+ Loans taken out	6.24	1 750 708	584 022
- Loan repayments	6.24	(866 253)	(223 180)
- Dividends		-	-
+ Change in current accounts	6.24	450 000	250 000
- Interest paid	6.24	(111 630)	-
Cash flow generated by financing activities		**1 228 225**	**610 842**
Change in cash		**(488 259)**	**656 650**
Cash, cash equivalents and bank overdrafts at the beginning of the period	6.19	934 802	278 152
Cash, cash equivalents and bank overdrafts at the end of the period	6.19	446 542	934 802

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Note 1: The Company

Arcure is French public limited company (*société anonyme*) established in 2009. It is a specialist in AI-driven image processing solutions and a key contributor to the autonomous industrial vehicle revolution.

Arcure designs and sells an intelligent solution - Blaxtair - designed to prevent collisions between pedestrians and vehicles operating in demanding industrial environments. Blaxtair is a system designed for off-road industrial vehicles, construction vehicles and handling equipment operating in a wide range of settings including factories, warehouses, recycling sites, construction sites and quarries. It endows this potentially dangerous machinery with intelligence capable of detecting pedestrians and issuing reliable and relevant warnings to the driver or automatically stopping the vehicle when there is the risk of collision with a pedestrian.

Note 2: Accounting rules and methods

2.1 General accounting conventions and principles

The Company financial statements have been prepared in accordance with the provisions of the French Commercial Code and ANC Regulation 2014-03 on the general chart of accounts, as well as ANC Regulations 2015-06 and 2016-07.

The basic method selected for valuing accounting items is the historical cost method.

2.2 Consistency of accounting methods

The valuation methods used are identical for all financial years presented.

2.3 Going concern principle

The going concern principle is defined in accordance with L. 123-20 of the French Commercial Code.

The going concern assumption was used in consideration of the following items:

- The historic loss-making situation of the Company may be explained by the innovative nature of the products developed, which require a research and development phase;
- The Company held cash of €643k at 31 December 2018;
- In January 2019, the Company issued a convertible bond with a value of €3.8m (see Note 4.2 - Post balance sheet events);
- In February 2019, the Company was first listed on Euronext Growth Paris via a capital increase of around €7.9m (see Note 4.2 - Post balance sheet events).

This financing should cover the Company's cash flow requirements in the medium term, beyond the next 12 months.

2.4 Estimates and judgments made by the Company's management

The preparation of the Company financial statements requires management to exercise judgment and use estimates and assumptions that affect the amounts of the assets and liabilities at the closing date as well as the amounts of income and expenses for the period. These estimates take into account economic data that may vary over time and contain elements of uncertainty.

The underlying estimates and assumptions are made on the basis of past experience and other factors considered to be reasonable in the circumstances. These estimates and assumptions serve as the basis for the exercise of judgment, as required when determining values for assets and liabilities that cannot be obtained directly from other sources. Actual results may differ from estimated values.

Estimates and the underlying assumptions are reviewed on an ongoing basis. The main estimates relate to:

- the research tax credit,
- the assessment of the costs of research and development activities in relation to expected future economic benefits.

2.5 Reporting currency

The financial statements and the appendix are presented in euros.

Note 3: Principal accounting methods

3.1 Intangible assets and property, plant and equipment

3.1.1 Intangible assets

Intangible assets primarily comprise:

- Project development costs,

- Software licenses.

Development costs

Equipment development costs are capitalized, as an off-setting entry to “Capitalized production”, when the capitalization criteria are met. The capitalization criteria for development costs are as follows:

- Technical feasibility required for completion,

- Intention to complete the asset and use or sell it,

- Ability to use or sell the asset,

- Capacity of the intangible asset to generate probable future economic benefits,

- Prospects of the intangible asset generating future economic benefits,

- Availability of financial resources to complete the asset,

- Ability to measure reliably the expenditure attributable to the asset.

These development costs include the gross salaries and social security charges of employees that worked on these projects and are calculated on the basis of the time spent working on them plus a share of the indirect costs. The costs related to the service providers involved in these projects are also taken into account.

Amortization is applied in practice from the time the equipment is brought to market.

The development costs for which amortization has not been applied by the end of the financial year are presented under “Non-current assets in progress”.

The useful life of these development costs is estimated at between 2 and 4 years, while the equipment is depreciated on a straight-line basis over this period.

At each closing date, an impairment charge is recorded if the fair value is lower than the net carrying value. The fair value is calculated on the basis of the value in use at the closing date and takes account of changes in the commercial success of the product as well as technological advances.

Software

The costs related to the acquisition of software licenses are capitalized on the basis of the costs incurred to acquire and bring into use the software concerned.

They are amortized on a straight-line basis over an exceptional period of 1 year. Acquisitions of subsequent licenses are amortized over their useful life.

3.1.2 Property, plant and equipment

Property, plant and equipment is recorded at acquisition cost, taking into account the costs required to make these assets operational, and after deducting any trade discounts, rebates and cash discounts obtained.

Property, plant and equipment is depreciated using the straight-line method over the estimated useful life of the assets. Leasehold improvements are depreciated over the specific useful life.

The interest on loans specifically taken out for the production of non-current assets is not included in the production costs of such assets.

The following depreciation periods are applied:

General equipment, fittings and fixtures	5 years
Industrial machinery and equipment	2 to 3 years
Transport equipment	2 to 5 years
Office equipment and computer hardware	3 to 5 years
Furniture	5 years

3.2 Financial assets

Financial assets consist of deposits and guarantees.

3.3 Impairment of assets

If there is an indication that the value of intangible assets, property, plant and equipment, or financial assets may have decreased at the close of the period, an impairment test is carried out.

The net book value of the asset is compared to its current value and an impairment charge is recognized if the current value is lower than the net book value.

3.4 Foreign currency transactions

Transactions denominated in foreign currencies are converted using the exchange rate in force at the time of the transaction. Monetary assets and liabilities in foreign currencies are converted using the exchange rate prevailing at the closing date. The resulting translation differences are recognized as foreign exchange gains and losses. Unrealized foreign exchange losses are recognized via a provision for foreign exchange losses.

3.5 Inventories

Inventory procurement cost is calculated using the weighted average unit cost method (WAC per unit).

The gross value of component inventories includes the purchase price, customs duties, other taxes and handling costs, transport costs and other directly attributable costs.

The cost of finished products includes material and direct labor costs plus a portion of the indirect production costs.

Where applicable, inventories are written down to current value at the balance sheet date.

3.6 Trade receivables

Receivables are recorded at nominal value.

Receivables are assessed on a case-by-case basis and are written down on the basis of the risks assessed.

Trade receivables are recognized when the risk and rewards of ownership pass to the customer for the sale of goods and upon execution for the provision of services.

3.7 Factoring

The Company engages the services of a factoring company to which it transfers a portion of its trade receivables in return for short-term financing.

The balance of the agreement in force until October 2018 was not settled at 31 December 2018. The balance sheet positions are indicated below.

This agreement provides for subrogation between the Company and the factor. Moreover, the factor has a right of recourse against the Company: trade receivables transferred by the Company and not settled 30 days after their theoretical due date are “refinanced”. Thereafter, after 90 days following the due date of the invoices transferred, the factor may transfer back the receivables transferred, with the amounts credited to the current account.

a) *Upon transfer of receivables to the factor*: The Company derecognizes the receivables transferred and the corresponding amounts are debited from a “deferred availability account”. The Company then debits the amounts financed by the factor from an “availability” sub-current account. The Company may then access the corresponding funds.

b) *Upon settlement of receivables by the customer*: the factor informs the Company and releases the amounts that were not financed.

c) *In the event of non-settlement after a period of 30 days following the due date:* the factor definances the receivables. The amount of these receivables is then debited from the deferred availability account with the corresponding amount credited to the availability account. This available credit amount is recognized as overdrawn in respect of the factor.

d) *Transfer back of receivables not settled after a 90-day period:* after having retained the refinanced receivables an additional 60-day period following definancing, the factor shall transfer back the receivables. The receivables transferred to the factor are no longer monitored by the factoring company and are returned to the Company, which is responsible for their recovery and for repaying the funds received in respect of these receivables to the factor. In this case, the amounts initially financed are credited to the deferred availability account with the corresponding debit of the trade receivables.

A trade receivables transfer agreement was concluded with Bpifrance Financement as of 30 August 2018, for a renewable 1-year term. This agreement establishes an outstanding amount limit of €1,000,000 with a commitment fee of 0.80%.

Under this new agreement, trade receivables are derecognized when they are transferred to the factor.

3.8 Cash

Cash consists of immediately available liquidities.

Immediately available liquidities in foreign currencies were converted into euros on the basis of the last exchange rate on the closing date of the financial year.

Translation differences were directly recognized in profit or loss for the financial year as foreign exchange gains and losses.

The Company does not hold any cash equivalents.

Bank overdrafts are included in current financial liabilities.

3.9 Capital

Elements related to the capital stock are described in Note 6.21.

3.10 Provisions for contingencies and charges

Provisions for contingencies and charges are recorded in line with the accounting principles and CRC Regulation 00-06 on liabilities.

The provisions for contingencies and charges recorded correspond to liabilities that meet the following criteria:
- the amount or maturity are not set precisely,
- a negative financial impact for the Company, i.e. that this liability is deemed an obligation undertaken by the Company towards a third party that will require an outflow of resources in favor of said third party without at least equivalent compensation anticipated from the latter,
- the obligation justifying the recording of the provisions for contingencies and charges originated during the financial year and is ongoing at the closing date.

The provisions are assessed on a case-by-case basis depending on the contingency and the reasons for the claims.

Provision for warranties
A provision is recorded for the costs incurred over the year in respect of the contractual warranty of the equipment sold. The provision is calculated on the basis of equipment failure statistics recorded during previous years.
The costs incurred correspond to labor and spare part costs.

3.11 Liabilities

Liabilities are initially recognized at nominal value and subsequently at fair value, i.e. at cost less repayments on the basis of the contractual schedule.

The advances received from public bodies to finance the Company’s research activities, repayment of which is conditional on the commercial and technical success of the project financed, are presented in liabilities under “Conditional advances” and their characteristics are described in Note 6.21.

3.12 Revenue

The revenue generated by the Company includes both the sale of equipment and the provision of services.

- **Sale of equipment**: the equipment marketed by the Company is generally sold on the basis of customer purchase orders that include fixed and determinable prices, in accordance with the general terms of sale. Revenue is recognized upon the transfer of ownership.

- **Revenue from the provision of services**: The provision of services primarily relates to equipment installation services and research and development services. Revenue from equipment installation services is recognized when the services are provided. Revenue from research and development services is recognized using the percentage of completion method over the duration of the project, on the basis of the time spent by the teams on the projects.

3.13 Competitiveness and employment tax credit

Competitiveness and employment tax credit (*crédit d'impôt pour la compétitivité et l'emploi* - CICE) is recognized as and when the corresponding eligible remuneration expenses are recognized by assessing per calendar year the probability of obtaining the specific CICE amount in respect of each employee.

The Company recognized CICE as a deduction from staff costs with an offsetting entry under "Other receivables" in the balance sheet.

In accordance with the provisions of Article 244 quater C of the French General Tax Code, as the purpose of the CICE is to finance improving company competitiveness, the Company invests it primarily in research and innovation.

3.14 Subsidies

Since its creation, due to its nature the Company has received financial assistance or subsidies from the State or public bodies in order to finance its operation or specific recruitment.

Operating subsidies are recognized in "Other income" over the accounting period of the corresponding costs or expenses, when it is reasonably certain that the subsidy will be obtained.

The Company also receives an investment subsidy under the research and development support agreement as part of the PRC2 project of the "embedded software and connected objects 1" call for proposals. The subsidy is recognized in non-recurring income when the conditions precedent are met, i.e. upon transmission by the Company of a net positive project position to the manager.

3.15 Research tax credit

The research tax credit (*crédit d'impôt recherche* - CIR) is granted to companies by the tax authority in order to encourage them to carry out technical and scientific research. Companies which provide evidence of costs that meet the required criteria (research spending in France or, since 1 January 2005, in the European Community or in another member state of the European Economic Area that has signed a tax treaty with France containing an administrative assistance clause) are eligible for tax credits which may be used for the payment of income tax due during the period in which the cost is incurred or during the following three reporting periods. Alternatively, any excess may be refunded where applicable. Only research costs may be included when calculating the research tax credit.

The Company has received research tax credit since its creation.

The Company received payment of the research tax credit due in respect of 2015 and 2016 during the year following the close of the financial years concerned. It requested payment of the research tax credit due in respect of 2017 under current EU guidelines on aid for SMEs. Payment of the research tax credit due in respect of 2017 was received in December 2018.

The research tax credit is presented under corporation tax in the income statement.

3.16 Non-recurring items

Non-recurring items correspond to the non-recurring items listed by the French chart of accounts (*plan comptable général* - PCG), including investment subsidies.

3.17 Commitments regarding pensions, retirement and similar benefits

Commitments relating to the retirement benefits of serving staff are subject to actuarial valuation.

Employees' accrued rights under future retirement benefits were determined on the basis of the age and number of years of service of each employee using a method that takes into account assumptions related to salary increases, life expectancy and staff turnover rate.

Assumptions:

- Discount rate of 1.31% in 2017 and 1.57% in 2018
- Voluntary departure when the employee is entitled to a full pension
- Mortality table TD0709

The commitment is not recognized in the accounts.

3.18 Earnings per share

Basic earnings per share is calculated by dividing net income by the weighted average number of common and preference shares outstanding over the financial year. Instruments giving deferred access to capital (share warrants, founders' warrants, etc.) are deemed anti-dilutive as they increase net earnings per share. Diluted earnings per share is identical to basic earnings per share.

Note 4: Highlights

4.1 Highlights of the financial year

During 2018, Arcure continued to invest in research and development while stepping up its market development initiatives.

The Company set up new financing arrangements as detailed in Note 6.24.

Over the period the Company allocated equity instruments (founders' warrants, bonus shares, share warrants, etc.). These allocations are described in Note 6.21.

The Company has signed two agreements with CEA-LIST (systems and technology integration laboratory), a division of CEA, which as of 31 December 2018 holds a 13.87% equity interest in the Company managed and supervised by Supernova Invest.:

- An R&D collaboration agreement and
- A license agreement under which the Company pays royalties to CEA-List.

In view of arrears totaling €563k under these two agreements, CEA drew up a repayment schedule in October 2018. This repayment schedule provides for staggered payments between October 2018 and May 2019 relating to invoices with the following due dates:

- 30 December 2016 for €65k;
- 30 January 2017 for €296k;
- 30 September 2017 for €53k;
- 30 January 2018 for €149k.

These arrears owed to CEA amounted to €443k at 31 December 2018 and €283k at the accounts approval date. These amounts are in line with the repayment schedule.

4.2 Post balance sheet events

The following events took place between 1 January 2019 and the date on which the Company financial statements were approved:

- Repayment of shareholder current account advances

On 8 November 2018 the Supervisory Board authorized the extension of the date for repaying the current account advances signed with a number of shareholders in February 2018, for an amount of €700,000, until 30 June 2019. These advances were repaid in full on 8 March 2019.

- Convertible bond

The shareholders' meeting of 15 January 2019 approved the issue of a convertible bond ("OC 2019") for which the definitive subscription was recorded by the Management Board on 17 January 2019. The main terms are as follows:

Date of shareholders' meeting	15-Jan.-19
Date of Management Board meeting recording completion of the issue	17-Jan.-19
Number of OC 2019 bonds issued	1,266,667
Nominal value of the convertible bond issue	€3,800,001
Issue price of one OC 2019 bond	€3.00
Coupon rate (payable every six months)	6%
Maturity date of the OC 2019 bonds	15-Jan.-22

1 – Automatic early conversion
1,000,000 convertible bonds totaling €3,000,000 were automatically converted into 535,712 new shares at the time of the Company's IPO (see below).

2- Early redemption of the convertible bond
In accordance with the provisions of the convertible bond issue agreement (OC 2019) of 16 January 2019, certain bondholders, for a total of 266,667 OC bonds, opted for early redemption at the time of the IPO and placed a subscription order for the amounts owed to them by the Company. These amounts, equal to the nominal amount subscribed by each OC 2019 bondholder plus interest and a 25% premium, totaled €1,004,604.

- Listing on Euronext Growth Paris

Prior to the transaction, the shareholders' meeting of 15 January 2019 resolved to carry out a 10-for-1 stock split by dividing the par value per share by 10.

On 21 February 2019, the Management Board set the IPO price at €7.00 per share. Overall, the issue represents a gross capital increase of €7.9 million.

Following completion of the transaction, Arcure's share capital now comprises 4,984,142 shares, including 535,712 new shares created through the automatic conversion of bonds issued by the Company. Settlement-delivery of the shares took place on 25 February 2019.

Note 5: Adjustments and reclassifications applied to the 2017 financial statements

In connection with the IPO, the Company reviewed the accounting policies used for the preparation of the 2017 historical financial statements. This review led to the identification of reclassifications and adjustments to the 2017 balance sheet and income statement. These reclassifications were recognized retrospectively in the financial statements, for the purposes of the Company financial statements prepared for the prospectus. These financial statements were prepared specifically for the purposes of the Base Document submitted for approval by the French financial markets authority (AMF) and were drawn up in accordance with French accounting rules and principles. The reclassifications and adjustments have been taken into account in these Company financial statements prepared for the purposes of the prospectus, in the year of their occurrence. This accounting treatment constitutes an exception from French accounting principles.

With the exception of the reclassifications and adjustments detailed in this note, the Company financial statements have been prepared on the basis of the accounting records used for the preparation of the statutory financial statements referred to above.

5.1 Impact of reclassifications and adjustments on the balance sheet at 31 December 2017

The tables below present the reclassifications and adjustments applied to the balance sheet at 31 December 2017:

	31-Dec-17 Approved	Reclassifications				31-Dec-17 Restated
In €	Net	Factoring (1)	Prepaid expenses (2)	Receivables transferred (3)	Customer down payments (4)	Net
Intangible assets	**2 938 540**	**-**	**-**	**-**		**2 938 540**
Property, plant and equipment	**98 515**	**-**	**-**	**-**		**98 515**
Financial assets	**35 811**	**-**	**-**	**-**		**35 811**
Non-current assets	**3 072 866**	**-**	**-**	**-**		**3 072 866**
Raw materials, supplies	455 465	-	-	-	-	455 465
Goods	169 320	-	-	-	-	169 320
Advances & down payments on orders	312	-	-	-	-	312
Trade and related receivables	1 609 698	-	-	(720 856)	(319 709)	569 133
Other receivables	886 245	468 265	84 107	-	-	1 438 617
Cash	1 404 110	(289 233)	-	-	-	1 114 877
Prepaid expenses	329 792	-	(286 360)	-	-	43 432
Current assets	**4 854 942**	**179 032**	**(202 253)**	**(720 856)**	**(319 709)**	**3 791 156**
Total assets	**7 927 807**	**179 032**	**(202 253)**	**(720 856)**	**(319 709)**	**6 864 022**

	31-Dec-17	Reclassifications and adjustments					31-Dec-17
In €	**Approved**	**Factoring (1)**	**Prepaid expenses (2)**	**Receivables transferred (3)**	**Customer down payments (4)**	**Provision for warranties (5)**	**Restated**
Shareholders' equity	**1 489 049**	**-**	**-**	**-**	**-**	**27 971**	**1 517 020**
Conditional advances	475 000	-	-	-	-	-	475 000
Other equity	**475 000**	**-**	**-**	**-**	**-**	**-**	**475 000**
Provisions for contingencies	115 010	-	-	-		(27 971)	87 039
Provisions for charges	-	-	-	-	-	-	-
Provisions for contingencies and charges	**115 010**	**-**	**-**	**-**	**-**	**(27 971)**	**87 039**
Convertible bond loans	877 578	-	-	-	-	-	877 578
Loans and other borrowings from credit institutions	481 043	179 032	-	-	-	-	660 075
Borrowings and other financial debt	357 532	-	-	-	-	-	357 532
Advances & down payments received on current orders	1 087 294	-	-	-	(319 709)	-	767 584
Trade and related payables	1 910 012	-	(202 253)	-	-	-	1 707 759
Tax and social security liabilities	383 800	-	-	-	-	-	383 800
Other payables	745 005	-	-	(720 856)	-	-	24 149
Prepaid income	6 484	-	-	-	-	-	6 484
Borrowings and payables	**5 848 748**	**179 032**	**(202 253)**	**(720 856)**	**(319 709)**	**-**	**4 784 963**
Total liabilities	**7 927 807**	**179 032**	**(202 253)**	**(720 856)**	**(319 709)**	**-**	**6 864 022**

(1) The factoring current account was recognized as cash in the 31 December 2017 historical financial statements for its net amount of €289,233. This was reclassified as follows:

a. The portion of the current account unavailable due to the receivables initially transferred, then definanced and still not settled following a period of 30 days was reclassified under "Other receivables" in an amount of €468,265 and

b. An amount of €179,032 initially financed by a factor but for which the corresponding receivables were not paid by the due date was regarded as a short-term financial liability and reclassified in "Overdrafts and other short-term bank borrowings".

The accounting treatment is detailed in Note 3.7.

(2) Prepaid expenses: one supplier order was incorrectly recognized in trade payables and offset by a prepaid expense in the 31 December 2017 historical financial statements. The adjustment neutralizes the impact of these entries in the 2017 financial statements prepared for the prospectus. As a result, this entry takes the balance of the corresponding supplier to a debit of €84,107 at 31 December 2017. It has therefore been reclassified on the asset side of the balance sheet.

(3) Receivables transferred: in the 2017 historical financial statements, the Company did not derecognize transferred receivables. The derecognition of transferred receivables was subject to reclassification, the effect of which was to reduce trade receivables and other payables by €720,856.

(4) Customer down payments: in the 2017 historical financial statements, down payments amounting to €319,709 received from customers were not deducted from the invoices issued by the Company. This deduction led to reclassification of the same amount, the effect of which was to reduce "Trade receivables" and "Advances and down payments received on current orders".

(5) Provision for warranties: the amount of the provision for warranties was revised on the basis of the items subject to warranties at 31 December 2017.

5.2 Impact of reclassifications and adjustments on the 2017 income statement

The tables below present the reclassifications and adjustments applied to the 2017 income statement:

	31-Dec-17	Reclassifications and adjustments				31-Dec-17
In €	Approved	Provision for warranties (1)	Investment subsidies (2)	Reversals of provisions / non-conversion premium (3)	CEA fees (4)	Restated
Production sold - goods	4 421 043	-	-	-	-	4 421 043
Production sold - services	594 122	-	-	-	-	594 122
Net revenue	**5 015 165**	**-**	**-**		**-**	**5 015 165**
Stored production	56 467	-	-	-	-	56 467
Capitalized production	804 006	-	-	-	-	804 006
Operating subsidies	138 957	-	(94 797)	-	-	44 160
Reversals of prov. and D/A, expense reclassification	67 841	-	-	(36 823)	-	31 018
Other income	21 253	-	-	-	-	21 253
Total operating income	**6 103 689**	**-**	**(94 797)**	**(36 823)**	**-**	**5 972 069**
Purchases of raw materials and other supplies	2 822 845	-	-	-	-	2 822 845
Purchases of raw materials and other supplies	(110 837)	-	-	-	-	(110 837)
Other purchases and external expenses	1 379 030	-	-	-	(88 253)	1 290 777
Tax, levies and similar payments	45 626	-	-	-	-	45 626
Salaries and benefits	1 080 506	-	-	-	-	1 080 506
Social security expenses	460 115	-	-	-	-	460 115
Amortization and depreciation on non-current assets	748 310	-	-	-	-	748 310
Provisions for current assets	1 800	-	-	-	-	1 800
Provisions for contingencies & charges	79 010	(27 971)	-	-	-	51 039
Other expenses	8 527	-	-	-	88 253	96 779
Total operating expenses	**6 514 932**	**(27 971)**	**-**	**-**	**-**	**6 486 961**
Operating profit/(loss)	**(411 243)**	**27 971**	**(94 797)**	**(36 823)**	**-**	**(514 892)**
Reversals of provisions and expense reclassification	-	-	-	36 823	-	36 823
Foreign exchange gains	7 246	-	-	-	-	7 246
Total financial income	**7 246**	**-**	**-**	**36 823**	**-**	**44 069**
Interest and related expenses	49 500	-	-	-	-	49 500
Foreign exchange losses	12 573	-	-	-	-	12 573
Total financial expenses	**62 073**	**-**	**-**	**-**	**-**	**62 073**
Net financial income/(expense)	**(54 827)**	**-**	**-**	**36 823**	**-**	**(18 004)**
Earnings before tax and non-recurring items	**(466 070)**	**27 971**	**(94 797)**	**-**	**-**	**(532 896)**
Non-recurring income on operating transactions	-	-	94 797	-	-	94 797
Non-recurring income on capital transactions	5 167	-	-	-	-	5 167
Total non-recurring income	**5 167**	**-**	**94 797**	**-**	**-**	**99 964**
Non-recurring expenses on operating transactions	3 670	-	-	-	-	3 670
Total non-recurring expenses	**3 670**	**-**	**-**	**-**	**-**	**3 670**
Net non-recurring income/(expenses)	**1 497**	**-**	**94 797**	**-**	**-**	**96 294**
Corporation tax	352 379	-	-	-	-	352 379
Total income	**6 116 102**	**-**	**-**	**-**	**-**	**6 116 102**
Total expenses	**6 228 296**	**(27 971)**	**-**	**-**	**-**	**6 200 325**
Net income/(expense)	**(112 194)**	**27 971**	**-**	**-**	**-**	**(84 223)**

(1) Provision for warranties: the amount of the provision for warranties was revised on the basis of the items subject to warranties at 31 December 2017.

(2) The reversal of investment subsidies initially recognized in operating income was reclassified under non-recurring income.

(3) The reversal of the non-conversion premium provision initially recognized in operating income was reclassified under financial income.

(4) CEA fees: the fees paid to CEA under the license agreement (see Note 5.2) were recognized in "Other purchases and external expenses" in the historical financial statements and were reclassified under "Other expenses" in the 2017 financial statements prepared for the purposes of the prospectus.

Note 6: Notes to the Company financial statements

6.1 Revenue

Revenue for the year ended 31 December 2018 amounted to €7,446k compared to €5,015k for the previous year.

Sales of finished products amounted to €6,321k in 2018 compared to €4,421k in 2017 and correspond exclusively to sales of Blaxtair. Sales of services increased from €594k in 2017 to €1,124k in 2018.

In €	2018	2017
Sale of finished goods	6 321 521	4 421 043
Services provided	1 124 222	594 122
Revenue	**7 445 743**	**5 015 165**

The geographical distribution of revenue over the financial years presented is as follows:

In €	2018	2017
Sales - France	3 462 025	1 999 109
Sales - export	3 983 718	3 016 056
Rest of Europe	*1 361 382*	*1 104 533*
Asia	*1 637 448*	*1 587 564*
North America	*546 536*	*159 717*
Rest of the world	*438 352*	*164 242*
Revenue	**7 445 743**	**5 015 165**

6.2 Other operating income

Other operating income is broken down as follows:

In €	2018	2017
Stored production	519 507	56 467
Capitalized production	845 890	804 006
Operating subsidies	-	44 159
Reversals of prov. and D/A, expense reclassification	66 025	31 018
Other income	9 754	21 253
Total operating income	**1 441 176**	**956 903**

Sales of Blaxtair V3 began in 2017. The Company has been developing Blaxtair V3.2 since 2017. It works on this project with public sub-contractors such as CEA and private sub-contractors that are CIR-approved or otherwise.

The amount of expenditure capitalized in 2018 amounted to €846k, including €172k of sub-contracting, compared to €804k including €288k of sub-contracting in 2017.

Operating subsidies amounted to €44k in 2017. This corresponds to the financial aid granted by public bodies for the innovation projects conducted by the Company.

The Company did not receive a further operating subsidy in 2018.

Reversals of provisions are detailed in Note 6.23.

6.3 Gross margin

The Company chose to communicate the gross margin aggregate given its significance for the financial performance analysis.

The Company defines gross margin as the difference between revenue and the cost of products and services sold, comprised as follows:

- for products:
    - the purchase price of products whose manufacture is sub-contracted to third parties (including components, staff costs, general costs and changes in inventory),
    - product assembly services,
    - staff costs related to production operations,
    - CEA technology license costs;

- for services:
    - staff costs related to the provision of services,
    - the costs of services provided by suppliers, such as equipment installation.

In €	2018	2017
Revenue	7 445 743	5 015 165
Cost of goods sold	4 317 772	3 114 678
Gross margin	**3 127 972**	**1 900 487**
Gross margin rate	*42%*	*38%*

6.4 Other purchases and external expenses

Other purchases and external expenses over the financial years presented is broken down as follows:

In €	2018	2017
Purchases of studies and interventions	561 350	274 878
Fees	234 589	96 135
Travel and transfers	217 027	149 773
Commission	238 072	144 380
Lease and rental payments	134 431	95 462
Advertising	110 032	154 922
Transport	108 532	79 167
Other purchases	16 597	20 292
CEA subcontracting	154 960	124 000
Insurance	61 726	50 617
Misc. (banking services, memberships, training, etc.)	192 518	101 152
Other purchases and external expenses	**2 029 834**	**1 290 777**

Purchases of studies and interventions primarily concerning equipment installation services as well as studies conducted by suppliers other than CEA.

Commissions primarily related to commercial agent remuneration.

The increase in the “Miscellaneous” item is primarily related to the increase in banking services as well as the use of temporary work during financial year 2018.

The services invoiced by CEA, excluding royalties, amounted to €155k in 2018 compared to €124k in 2017 and are presented under “Sub-contracting”.

6.5 Staff costs

Staff costs are broken down as follows:

In €	2018	2017
Salaries and benefits	1 619 902	1 080 506
Social security expenses	663 156	460 115
Staff costs	**2 283 059**	**1 540 621**
Average rate of social security expenses	*41%*	*43%*

The CICE competitiveness and employment tax credit is recognized as a deduction from staff costs (see Note 4.13). It amounted to €26k for 2018 and €13k for 2017. The corresponding asset is presented under “Other receivables”.

6.6 Workforce

The change in workforce is as follows:

	2018	2017
Senior executives	2	2
Executives	23	15
Supervisors and technicians	4	4
Employees	4	2
Workers	-	-
Workforce	**33**	**23**
Of which professionalization contracts	*2*	*3*

6.7 Remuneration paid to managers

The gross remuneration paid to managers in respect of the year ended 31 December 2017 was €263,364.

The gross remuneration paid to managers in respect of the year ended 31 December 2018 was €297,881.

The members of the administrative and supervisory bodies do not receive any remuneration from the Company.

6.8 Depreciation, amortization, impairment and provisions

In €	2018	2017
Amortization and depreciation of non-current assets	762 461	748 310
Provisions for current assets	51 956	1 800
Provisions for contingencies and charges	19 978	51 039
Total	**834 395**	**801 149**

Depreciation and amortization charges are broken down as follows:

In €	2018	2017
Intangible assets	714 702	719 759
Property, plant and equipment	47 759	28 552
Amortization and depreciation of non-current assets	**762 461**	**748 310**

Amortization of intangible assets is primarily related to the amortization of capitalized development costs in respect of Blaxtair V3, sale of which began in 2017.

6.9 Other expenses

Other expenses amounted to €133,380 in 2018 compared to €96,779 in 2017.

They primarily correspond to the fees paid to CEA under the license agreement (see Note 4.1) in the amount of €124,729 in respect of 2018 and €88,253 in respect of 2017.

6.10 Adjusted EBIT

The Company chose to communicate the adjusted EBIT aggregate (operating profit adjusted for research tax credit), which is shown on the "Corporation tax" line of the income statement, given its significance for the financial performance analysis. This aggregate amount is calculated as follows:

In €	2018	2017
Operating profit/(loss)	(572 904)	(514 892)
Research tax credit	489 424	318 697
Adjusted EBIT	**(83 480)**	**(196 195)**

6.11 Net financial income/(expense)

Net financial expense is broken down as follows:

In €	2018	2017
Reversals of provisions and expense reclassification	-	36 823
Foreign exchange gains	4 517	7 246
Total financial income	**4 517**	**44 069**
Interest and related expenses	49 406	49 500
Foreign exchange losses	1 524	12 573
Total financial expenses	**50 931**	**62 073**
Net financial income/(expense)	**(46 414)**	**(18 004)**

6.12 Non-recurring items

Non-recurring items are broken down as follows:

In €	2018	2017
Portion of investment subsidies written-back to net income/(expense)	-	94 797
Income from disposal of non-current assets	-	5 167
Total non-recurring income/(expense)	**-**	**99 964**
Non-recurring expenses on operating transactions	40	3 670
Total non-recurring expenses	**40**	**3 670**
Net non-recurring income/(expenses)	**(40)**	**96 294**

Under the research and development support agreement between BPI France and Arcure as part of the PRC2 project under the "embedded software and connected objects 1" call for proposals, the Company received an investment subsidy equal to 50% of expenses incurred and capped at €515,090. The amount of the subsidy recognized in the income statement amounted to €95k in 2017 (the last year).

6.13 Tax

Current tax

The amount of corporation tax payable in respect of the financial years presented is zero in view of the losses recorded.

Innovation and research tax credit

The research tax credit recorded in respect of 2018 amounted to €489k compared to €319k in 2017.

The innovation tax credit recorded in respect of 2018 amounted to €39k compared to €34k in 2017.

Increase/reduction in future tax liability

In the context of the reduction in future tax liability, the balance of tax loss carryforwards from prior years was €9,255,068 at 31 December 2018 and €8,657,193 at 31 December 2017.

6.14 Statement of non-current assets

At 31 December 2018, the gross value of non-current assets is detailed as follows:

Non-current assets	At 01/01/2018	Increase	Decrease	Transfer	At 12/31/2018
Concessions, patents, trademarks, software and similar rights	4 028 517	6 817	-	-	4 035 334
Other intangible assets	804 006	859 728	-	-	1 663 734
Intangible assets	**4 832 523**	**866 545**	**-**	**-**	**5 699 068**
Plant, industrial equipment & tools	29 867	49 500	-	-	79 367
Other property, plant and equipment	145 521	33 826	-	-	179 347
Non-current assets in progress	20 760	40 500	-	(49 500)	11 760
Property, plant and equipment	**196 148**	**123 826**	**-**	**(49 500)**	**270 474**
Other financial assets	35 811	27 152	-	-	62 962
Financial assets	**35 811**	**27 152**	**-**	**-**	**62 962**
Total	**5 064 482**	**1 017 523**	**-**	**(49 500)**	**6 032 505**

Concessions and patents correspond to capitalized production in the amount of €4,007k at 31 December 2018 for the already marketed version of Blaxtair.

Other intangible assets correspond to capitalized production relating to versions of Blaxtair under development and not yet brought to market, in the amount of €1,650k. The amount of expenditure capitalized accordingly in 2018 amounted to €845k, including €172k of sub-contracting.

In 2018, the total amount of research and development costs was €1,173k, of which €845k was capitalized and €328k recognized as expenses.

In 2017, the total amount of research and development costs was €882k, of which €804k was capitalized and €78k recognized as expenses.

6.15 Depreciation and amortization table

At 31 December 2018, depreciation and amortization of non-current assets are broken down as follows:

Amortization/depreciation	At 01/01/2018	Increase	Decrease	At 12/31/2018
Concessions, patents, trademarks, software and similar rights	(1 893 983)	(714 702)	-	(2 608 685)
Intangible assets	**(1 893 983)**	**(714 702)**	**-**	**(2 608 685)**
Plant, industrial equipment & tools	(13 894)	(16 584)	-	(30 478)
Other property, plant and equipment	(83 740)	(31 174)	-	(114 914)
Property, plant and equipment	**(97 634)**	**(47 759)**	**-**	**(145 392)**
Total	**(1 991 617)**	**(762 461)**	**-**	**(2 754 077)**

6.16 Inventories

Inventories are broken down as follows:

In euros	2018	2017
Component inventory	407 494	455 465
Finished goods inventory	688 826	169 320
Gross value	**1 096 320**	**624 785**
Provision for inventories	(33 600)	-
Net value	**1 062 720**	**624 785**

An inventory impairment was recognized at 31 December 2018 for the used equipment inventory.

6.17 Maturities of receivables and payables

At 31 December 2018, the statement of receivables is broken down as follows:

	31-Dec-18			
In €	Gross	< 1 year	[1 - 5 years]	> 5 years
Trade and related receivables	493 568	493 568	-	-
Trade receivables	352 470	352 470	-	-
Staff	7 611	7 611	-	-
Social security organizations	2 624	2 624	-	-
Corporation tax	530 428	530 428	-	-
Turnover taxes	421 646	421 646	-	-
Other	988 882	988 882	-	-
Other receivables	2 303 671	2 303 671	-	-
Statement of receivables	**2 797 239**	**2 797 239**	**-**	**-**

The “Corporation tax” item includes receivables due in respect of the research and innovation tax credits.

The “Other” item primarily relates to:

- the outstanding €108k receivable in respect of the PRC2 project under the “embedded software and connected objects 1” call for proposals,
- an amount of €656k in respect of the current account with the Company’s previous factor, including a holdback of €308k.
- an amount of €182k is respect of the BPI holdback in the context of the new factoring agreement.

At 31 December 2018, the statement of liabilities is broken down as follows:

In €	Dec-18	< 1 year	[1 - 5 years]	> 5 years
Conditional advances	187 500	187 500	-	-
Loans	1 559 805	696 053	663 752	200 000
Overdrafts and other short-term bank borrowings	196 422	196 422	-	-
Loans and other borrowings from credit institutions	1 756 227	892 475	663 752	200 000
Miscellaneous	204 730	-	204 730	-
Related	733 176	733 176	-	-
Borrowings and other financial debt	937 906	733 176	204 730	-
Advances & down payments received on current orders	395 536	395 536	-	-
Trade and related payables	2 052 787	2 052 787	-	-
Staff	119 972	119 972	-	-
Social security organizations	161 563	161 563	-	-
Turnover taxes	89 076	89 076	-	-
Other taxes, duties and similar	38 912	28 912	10 000	-
Tax and social security liabilities	409 523	399 523	10 000	-
Other payables	12 203	12 203	-	-
Prepaid income	13 292	13 292	-	-
Borrowings and payables	**5 764 974**	**4 686 492**	**878 482**	**200 000**

6.18 Accrued income and expenses

Accrued income and expenses are broken down as follows:

Accrued income	2018	2017
Trade and related receivables	403 163	85 000
Other receivables	46 863	33 050
Total	**450 026**	**118 050**

Income from trade receivables corresponds to equipment deliveries not invoiced at the close of the financial year in the am

ount of €102,000 and services provided but not yet invoiced in the amount of €301,000.

Accrued expenses and credit notes	2018	2017
Convertible bond	-	111 408
Loans and other borrowings from credit institutions	10 383	201
Miscellaneous financial loans and borrowings	33 176	3 510
Trade and related payables	633 884	406 854
Tax and social security liabilities	214 975	213 184
Other payables	-	147
Total	**892 417**	**735 304**

The amounts relating to the convertible bonds correspond to the amount of capitalized interest.

6.19 Cash

Cash accounts are broken down as follows:

In euros	2018	2017
Cash	642 964	1 114 877
Gross cash & cash equivalents	**642 964**	**1 114 877**
Impairment	-	-
Cash & cash equivalents - Assets	**642 964**	**1 114 877**
Bank overdrafts	(196 422)	(180 075)
Cash - Liabilities	**(196 422)**	**(180 075)**
Net cash	**446 542**	**934 802**

No impairment was recorded over the period.

6.20 Prepaid expenses and deferred income

Deferred income relates to operating income only.

Prepaid expenses relate to operating expenses. They correspond, in the amount of €263k, to the costs incurred in the context of the IPO that will be deducted from the issue premium as part of the capital increase.

6.21 Share capital

Current share capital

At 31 December 2018, the Company's share capital amounted to €332,343 comprising 332,343 shares with a par value of €1 each, fully paid up, including 120,062 shares of common stock and 212,281 class A preference shares.

The specific rights attached to the class A preference shares issued in May 2012 primarily relate to preferential surplus distribution, the option to convert into class A shares or common stock (ratchet) and an enhanced right to information. If the Company is listed, it is stipulated that these class A preference shares shall be converted into common stock according to a ratio based on the share price applied to capital increases carried out until 13 April 2016.

The change in the number of shares from 1 January until 31 December 2018 is presented below:

		Number of shares		Capital increase			
Date	Transactions	Number of shares issued or cancelled	Total number of shares	Capital stock	Issue premiums	Nominal value per share	Capital after transaction
Jan-18	**Capital at the beginning of the period**		**296 313**	**296 313**	**0**	**1,00 €**	**296 313**
Feb-18	Conversion of convertible bonds 2015 in Class A shares	34 050	330 363	34 050	732 075	1,00 €	330 363
Feb-18	Exercise of BSPCE 2012	180	330 543	180	5 220	1,00 €	330 543
Jul-18	Acquisition définitive d'actions gratuites	1 800	332 343	1 800	-1 800	1,00 €	332 343
Dec-18	**Capital at the end of the period**		**332 343**	**332 343**	**735 495**	**1,00 €**	**332 343**

On 22 February 2018, the Management Board recorded the capital increase resulting from the conversion of a total of 25,539 bonds convertible into shares, for a total amount of €34,050, through the issuance of 34,050 new Class A preference shares with a par value of €1 each issued at a price of €22.50, including an issue premium of €21.50, i.e. a total capital increase of €766,125 and the corresponding cancellation of 25,359 bonds, taking the Company's share capital to €330,363.

On 22 February 2018, the Management Board recorded the capital increase resulting from the exercise of 180 BSPCE founders' warrants with a total nominal value of €180 through the issuance of 180 new shares of common stock at a price of €30 per share, comprising a par value of €1 and an issue premium of €29, i.e. a total capital increase (issue premium included) of €5,400, taking the Company's share capital from €330,363 to €330,543.

By decision dated 6 July 2018, the Management Board recorded the vesting of 1,800 bonus shares allocated on 5 July 2016, under the authorization granted by the shareholders' meeting on 26 May 2016, as well as the resulting capital increase. This bonus share allocation plan resulted in the creation of 1,800 Company shares on 5 July 2018.

Potential share capital

The Company has allocated/issued various financial instruments giving access to the share capital.

	BSPCE 2012	BSPCE 2014-2	BSPCE 2016	BSPCE 2018
Number of oustanding founders' warrants (BSPCE) as of January 1, 2018	2 979	1 500	17 000	0
Number of BSPCE issued in 2018	-	-	-	11 724
Number of BSPCE cancelled in 2018	-	-	-	-
Number of BSPCE exercised in 2018	180	-	-	-
Number of outstanding BSPCE as of December 31, 2018	2 799	1 500	17 000	11 724
Number of shares avalaible for subscription as of December 31, 2018	2 799	1 500	17 000	11 724
Number of shares avalaible for subscription as of December 31, 2018 after division of the par value by 10 (Shareholders' meeting of 01/15/2019)	27 990	15 000	170 000	117 240

At the Extraordinary Shareholders' Meeting of 8 February 2018, the shareholders approved the issuance of eleven thousand seven hundred and twenty-four (11,724) founders' warrants (*bon de souscription de parts de créateur d'entreprise* - BSPCE) to company managers. Each founders' warrant will confer the right to subscribe to one share of common stock with a par value of €1 each, at a price of €22.50 per share (i.e, €2.25 after division of the par value by 10) including an issue premium of €21.50 (i.e. €2.15 euros after division of the par value by 10). The subscription rights to shares of common stock must be exercised within a maximum period of ten years from the allocation of the founders' warrants.

No new allocation of share warrants *(bons de souscription d'actions* - BSA) were carried out during financial year 2018.

6.22 Conditional advances

The "Conditional advances" item corresponds to a €689,000 OSEO repayable advance awarded in 2012 to finance a research and development program. This advance has been repayable since June 2014 in accordance with terms dependent on the technical and commercial success of the project. The Company repaid €189,000 in 2014 and 2015. At 31 December 2016, the balance stood at €500,000 with the following contractual repayment schedule:

- €50,000 on 30/09/2015,

- €50,000 on 31/12/2015,
- €50,000 on 31/03/2016,
- €87,500 on 30/06/2016,
- €87,500 on 30/09/2016,
- €87,500 on 31/12/2016,
- €87,500 on 31/03/2017

The following repayment schedule was approved in 2017 for the repayable balance of €500,000:

- €25,000 on 30/09/2015,
- €25,000 on 31/12/2017,
- €87,500 on 31/03/2018,
- €87,500 on 30/06/2018,
- €87,500 on 30/09/2018,
- €87,500 on 31/12/2018,
- €100,000 on 31/03/2019.

The payment scheduled for 31/12/2018 was made at the start of January 2019, and the balance at 31 December 2018 stood at €187,500.

6.23 Provisions for contingencies and charges

At 31 December 2018, the provisions are broken down as follows:

In €	At 01/01/2018	Additions allowances	Reductions Write-backs	Of which used	At 12/31/2018
Provision for litigation	76 000	6 000	36 000	30 000	46 000
Provision for warranties	11 039	13 978	11 039	11 039	13 978
Provision for non-conversion premiums on convertible bonds	-	-	-	-	-
Total provisions	**87 039**	**19 978**	**47 039**	**41 039**	**59 978**
On inventories	-	33 600	-	-	33 600
On trade receivables	24 232	30 904	12 548	-	42 587
Total impairment	**24 232**	**64 504**	**12 548**	**-**	**76 187**
Total	**111 271**	**84 482**	**59 587**	**41 039**	**136 165**

The provision for litigation relates to the industrial tribunal disputes in which the Company is involved. The provision was valued in accordance with the risks estimated by the Company's management.

The provision for warranties was allocated to cover the future repair costs of Blaxtair products returned by customers. The warranty period runs for one year from the sale of the equipment.

6.24 Borrowings and financial debt

The change in borrowings and financial debt over the financial year is as follows:

In €	Balance at 1 January 2018	Subscription/ increase	Repayment/ Conversion	Balance at 31 December 2018
Convertible bond	766 170	-	(766 170)	-
Bank loans	480 000	1 650 000	(578 753)	1 551 247
of which Société Générale (€180,000 export marketing)	*180 000*	-	*(180 000)*	-
of which BRED loan (€300,000)	*300 000*	-	*(98 753)*	*201 247*
of which Normandy region loan	-	*300 000*	-	*300 000*
of which BPI loan	-	*500 000*	-	*500 000*
of which BNP credit facility	-	*600 000*	*(300 000)*	*300 000*
of which Crédit du Nord credit facility	-	*250 000*	-	*250 000*
Conditional advances	475 000	-	(287 500)	187 500
COFACE facility	104 022	100 708	-	204 730
Accrued interest	114 918	38 445	(111 630)	41 733
Shareholders current accounts	250 000	700 000	(250 000)	700 000
Bank overdrafts	1 043	3 659	(2 877)	1 826
Overdraft (factor debt)	179 032	194 597	(179 032)	194 597
TOTAL LOANS AND BORROWINGS	**2 370 185**	**2 687 409**	**(2 175 962)**	**2 881 633**

Bond loan

On 26 May 2015 the Management Board recorded the definitive subscription of 17,556 convertible bonds with a nominal value of €526,680 and, consequently, the creation of the same number of Tranche 2 convertible bond subscription warrants (*Bons de Souscription d'Obligations Convertible*s - BSOC).

Each of the 17,556 BSOC Tranche 2 subscription warrants giving the right to subscribe to 0.4545 convertible bonds (i.e. a maximum of 7,983 "OC 2" bonds) enabling an additional €239,490 bond issue. At its meeting of 15 March 2016, the Management Board recorded the exercise of all the BSOC warrants leading to the subscription of 7,983 convertible bonds (7,983 OC 2 bonds), i.e. an additional €239,490 bond issue paid in February and March 2016 (see Note 6.21).

The balance at 31 December 2017 was €877,578, including a principal of €766,170.

The bond loan was converted in February 2018 for the principal amount, accrued interest having been paid (see Note 4.1).

Borrowings from credit institutions

The €180,000 loan taken out on 31 July 2017 with Société Générale was repaid during the first half of 2018.

On 6 December 2017, the Company took out a €300,000 loan with Banque Populaire amortized over 36 months at an interest rate of 1.25% per year.

On 23 April 2018, the Normandy region awarded the Company €300,000 of financial assistance, as part of the cash flow generation initiative intended to finance the working capital requirement of the Grossœuvre-based premises. This financial assistance was awarded in the form of an interest-free loan repayable over 4 years and deferred for 1 year.

The Company set up a €500,000 credit line with Crédit du Nord for a 4-year term starting in August 2018 at the Euribor rate plus 1.8 percentage points.

In 2018 the Company set up a €300,000 credit line with BNP at the Euribor rate plus 3 percentage points. The amounts drawn down at 31 December 2018 are due in February 2019 in the amount of €150,000 and in March 2019 for the balance.

BPI awarded a €500,000 loan to the Company on 26 September 2018 for a 7-year term ending on 30 September 2025, with annual interest of 1.67%. The Company will benefit from an 8-quarter grace period.

At 31 December 2018, overdrafts and other short-term bank borrowings correspond primarily to the credit balance of the factoring current account in the amount of €194,597.

Borrowings and other financial debt

During financial year 2018, BPI paid out €100,708 pursuant to the export marketing insurance policy (Coface) on the basis of the export marketing expenses incurred in 2017, with the balance standing at €204,730 at 31 December 2018. The policy is designed to partly finance export marketing expenses.

The €250,000 current account advance subject to an agreement with INOCAP in September 2017 was repaid in full in February 2018.

A number of Company shareholders granted exceptional current account advances totaling €700,000 to the Company between late January and early February 2018, bearing interest at 6% per year and repayable by 31 December 2018 at the latest. On 8 November 2018, the Supervisory Board approved the extension to the repayment date for these advances until 30 June 2019. The current accounts were reimbursed in full on 8 March 2019.

There are no financial covenants attached to the financial debt.

6.25 Off balance sheet commitments

Post-employment benefit commitments:

Post-employment benefit commitments are not recognized in the accounts.

The off balance sheet commitment amounted to:

- €115,626 of social security expenses at 31/12/2018;
- €83,377 of social security expenses at 31/12/2017.

Lease commitments

The lease commitments related to rented premises are as follows:

Nature	Begining of lease	End of lease	Annual rent - excluding taxes and charges	Future commitments as of 12/31/2018
Lease - Pantin premises	3-Jun-16	3-Jun-26	46 570	345 894

Other commitments

In context of setting up the €300,000 line of credit with BNP in December 2017, Arcure pledged inventories to BNP. The pledge is limited to 120% of the credit granted.

6.26 Related companies

There were no transactions with related companies.

6.27 Statutory auditors' fees

	2018	2017
Fees excl. tax invoiced in respect of statutory audit of financial statement:	30 000	9 150
Fees excl. tax invoiced in respect of other services provided	70 000	950
Total	**100 000**	**10 100**

6.29 Earnings per share

Basic earnings per share was (€0.28) at 31 December 2018 and at 31 December 2017.

	31-Dec-18	31-Dec-17
Net income/(expense) (in €)	(90 869)	(84 223)
Weighted average number of shares - Basic earnings	326 455	296 313
Weighted average number of shares - Diluted earnings	370 430	400 178
Basic earnings per share (in €)	**(0,28)**	**(0,28)**

Instruments giving deferred access to capital are deemed anti-dilutive as they increase net earnings per share. Diluted earnings per share is identical to basic earnings per share.

STATUTORY AUDITORS' REPORT ON THE COMPANY FINANCIAL STATEMENTS

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CS 60055
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France

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Financial year ended 31 December 2018

To Arcure's shareholders

Opinion

In performance of the assignment entrusted to us by your shareholders' meeting, we have audited the annual financial statements of the company Arcure S.A. for the period ended 31 December 2018, as appended to this report.

We certify that the annual financial statements are, with regard to French accounting rules and principles, accurate and consistent and give a true and fair view of the income from operations during the financial year ended as well as the financial position and assets of the company at the end of said financial year.

Basis of opinion

Auditing standards

We conducted our audit in accordance with the professional standards applicable in France. We believe that the evidence collected in our audit provides a reasonable basis for our opinion.

Our responsibilities pursuant to these standards are described in the "Responsibilities of the statutory auditors in the audit of the annual financial statements" section of this report.

Independence

We conducted our audit in compliance with the rules of independence applicable to us, for the period from 1 January 2018 to the issue date of our report and in particular we did not provide any service prohibited by the code of ethics for statutory auditors.

Observation

Without qualifying the opinion expressed above, we draw your attention to note "5: Adjustments and reclassifications applied to the financial statements at 31 December 2017", which sets out the adjustments and reclassifications identified in 2018 by the company in respect of the 2017 historical financial statements and retrospectively recognized in the financial statements of the financial year concerned for the purposes of the annual financial statements prepared for the purposes of the prospectus.

Justification of assessments

According to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we draw to your attention to the following assessments which, in our professional judgment, were of most significance in the audit of the annual financial statements for the financial year.

As indicated in note "3.1.1 Intangible assets", the company recognizes in intangible assets the development costs meeting the criteria established by French accounting rules and principles.

We have examined the business activity and profitability forecasts underpinning the appropriateness of this recognition, the methods applied for the amortization of development costs recognized and for the verification of their actual value and we verified that the notes provide appropriate information.

These assessments were part of our audit of the annual financial statements, taken as a whole, and contributed to the opinion we formed which is expressed above. We do not express an opinion on elements of these annual financial statements taken individually.

Specific verifications

We also performed specific verifications as required under statutory and regulatory provisions in accordance with the professional auditing standards applicable in France.

Information provided in the management report and in the other documentation on the financial position and the annual financial statements provided to shareholders

We have no comments to make concerning the accuracy or consistency of the annual financial statements with the information provided in the Management Board's management report and in the other documentation on the financial position and the annual financial statements provided to shareholders.

We hereby confirm the accuracy of the information related to late payments referred to in Article D.441-4 of the French Commercial Code and the consistency of such information with the annual financial statements.

Information on corporate governance

We hereby confirm that the information required by Article L.225-37-4 of the French Commercial Code is included in the Supervisory Board’s corporate governance report.

Other information

In accordance with the law, we verified that the information relating to the identity of the persons or entities holding the capital and voting rights has been communicated to you in the management report.

Responsibilities of the management and of the persons charged with governance of the company in relation to the annual financial statements

The management is responsible for the preparation of annual financial statements that give a true and fair view of operations in accordance with French accounting rules and principles as well as for the implementation of the internal controls it deems necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

During the preparation of the annual financial statements, the management is responsible for assessing the company’s capacity to continue as a going concern, and for presenting the information required in these financial statements, where applicable, in relation to the continuity of operations and for applying the accounting policy for a going concern, unless there is a plan to liquidate the company or cease its activity.

The annual financial statements have been approved by the Management Board.

Responsibilities of the statutory auditors in the audit of the annual financial statements

It is our responsibility to prepare a report on the annual financial statements. It is our aim to obtain reasonable assurance that the annual financial statements taken as a whole do not contain any material misstatement. Reasonable assurance means a high level of assurance, but this does not guarantee that an audit performed in accordance with professional standards always enables every material misstatement to be detected. Misstatements may result from fraud or error and are deemed to be material when it can be reasonably expected that they might, individually or collectively, influence the financial decisions taken by the users of the financial statements on the basis of those statements.

As stipulated in Article L. 823-10-1 of the French Commercial Code, our certification of the financial statements does not involve any guarantee of the viability or quality of the management of your company.

Within the framework of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit. Additionally, the statutory auditor:

- identifies and evaluates the risk of the annual financial statements containing material misstatements, whether due to fraud or error, develops and implements audit procedures in response to these risks, and gathers sufficient and appropriate evidence for its opinion. The risk of failing to detect a material misstatement resulting from fraud is higher than in the case of a material misstatement due to error, since fraud can involve collusion, falsification, deliberate omissions, false declarations, or the bypassing of the internal control system;

- obtains an understanding of the aspects of internal control that are relevant to the audit in order to develop appropriate audit procedures, and not to express an opinion as to the effectiveness of the internal control system;

- assesses the appropriateness of the accounting methods used and the reasonableness of the accounting estimates made by the management, as well as of the related information provided in the annual financial statements;

- assesses the appropriateness of the management's use of the going concern principle in accounting and, according to the evidence obtained, the existence or otherwise of material uncertainty connected with events or situations likely to cast significant doubt on the company's ability to continue its operations. This assessment is based on the evidence obtained up to the date of the audit report, it being noted nonetheless that subsequent circumstances or events may cast doubt on the company's ability to continue as a going concern. If the auditor concludes that there is material uncertainty, he is obliged to draw the attention of readers of his report to the information contained in the annual financial statements concerning this uncertainty or, if this information is insufficient, to issue a certification with reservations or to refuse to certify;

- evaluates the overall presentation of the annual financial statements and assesses whether the way in which the annual financial statements represent underlying events and operations gives a true and fair view.

The Statutory Auditors

Paris La Défense, 10 April 2019	Orsay, 10 April 2019
KPMG Audit	GMBA Essonne
A Division of KPMG S.A.	
Cédric Adens	Raymond Dorge
Partner	*Partner*